



“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 14, 2016

Pages 531 to 813

1 APPEARANCES

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3

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12) & Loans

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1 --- Upon commencing at 9:07 a.m.

2

3 THE PANEL CHAIRPERSON: Okay. Welcome
4 to the third day of the 2016 Public Utilities Board
5 Payday Loan hearings. This morning we will begin with
6 Ms. -- co-counsel for the Payday Loans Association,
7 who will continue with her cross-examination of the
8 Coalition panel. So I...

9 MR. BYRON WILLIAMS: Madam Chair, if I
10 -- I might, I just have two (2) updates for the Board.
11 Just -- one (1) is we did take a fairly extensive
12 undertaking from the Board yesterday. We've made a
13 fair bit of progress but it is -- it is -- we won't
14 have that available until sometime tomorrow. We're
15 doing our best, but there's still a fair bit of work
16 to do on it.

17 And then secondly, just a reminder, Ms.
18 St. Aubin will -- will be leaving at noon, and I think
19 Dr. Simpson, to catch his plane, has to leave at
20 around 11:00. I think we're all fine with schedule,
21 but we're just -- I just want to be mindful of -- of
22 that.

23 THE PANEL CHAIRPERSON: Thank you very
24 much, Mr. Williams.

25 Now I'm going to turn it over to Ms.

1 Ko.

2

3 COALITION PANEL 1, RESUMED:

4 ZOE ST. AUBIN, Resumed

5 JERRY BUCKLAND, Resumed

6 CHRIS ROBINSON, Resumed

7 WAYNE SIMPSON, Resumed

8

9 CONTINUED CROSS-EXAMINATION BY MS. PATTY KO:

10 MS. PATTY KO: Thank you. Dr.

11 Robinson, I just have a few more questions from you --
12 for you.

13 THE PANEL CHAIRPERSON: Do you need a
14 minute --

15 MS. PATTY KO: I -- I --

16 THE PANEL CHAIRPERSON: -- Mr.
17 Robinson -- or Dr. Robinson?

18 DR. CHRIS ROBINSON: I guess it will
19 depend on what you're asking. I -- I would just
20 remind you that -- that I'm here -- I will still be
21 here for a lot longer than -- than Dr. Simpson.

22 MR. BYRON WILLIAMS: Oh, this is --
23 this is the order that we're going in, so we'll --
24 it'll all work out.

25

1 CONTINUED BY MS. PATTY KO:

2 MS. PATTY KO: I appreciate that. I
3 just thought maybe you were having some technical
4 difficulties over there. Did you need a few minutes?

5 DR. CHRIS ROBINSON: It depends on
6 what questions you ask. Otherwise, I may ask Diana to
7 bring it up.

8 MS. PATTY KO: Sure. I'll --

9 DR. CHRIS ROBINSON: So let me see
10 what you ask first.

11 MS. PATTY KO: I'll start, and then if
12 you -- if you --

13 DR. CHRIS ROBINSON: Yeah.

14 MS. PATTY KO: -- have some issues,
15 we'll -- we'll deal with it.

16 So, Dr. Robinson, I'm going to ask that
17 you turn to your report. That's Tab 3 to the CPLA --
18 sorry, the Coalition's pre-filed evidence. And I'm
19 going to ask that you turn to page 3. And if we can
20 just scroll down a little bit.

21 Dr. Robinson, you will recall that, in
22 your evidence yesterday, you had highlighted for us
23 some characteristics of the typical payday lender.
24 And you had listed some further characteristics on
25 page 3 and 4 of your report.

1 I'm just going to ask that you read
2 number 3 to us.

3 DR. CHRIS ROBINSON:

4 "They have high operating leverage,
5 which means profits change a great
6 deal with changes in volume."

7 MS. PATTY KO: Thank you. Now, Dr.
8 Robinson, I'm going to ask that you turn to page 6 of
9 your report.

10 DR. CHRIS ROBINSON: Yes.

11 MS. PATTY KO: Since 2010, in
12 Manitoba, obviously, Cash Store has ceased operations,
13 correct?

14 DR. CHRIS ROBINSON: Yes.

15 MS. PATTY KO: And at page 6 of your
16 report, you also indicate that four (4) more payday
17 lenders -- namely, Sorenson, Cheque Stop, Mogo, and
18 National Cash Advance has left the Manitoba market,
19 correct?

20 DR. CHRIS ROBINSON: Yes.

21 MS. PATTY KO: And you were here for
22 Ms. Soper's evidence from Cash Money. She indicated
23 that -- sorry, presentation. She indicated that Cash
24 Money closed one (1) store in Manitoba in the past two
25 (2) years, correct?

1 DR. CHRIS ROBINSON: Yes.

2 MS. PATTY KO: And of Cash Money's
3 remaining four (4) stores in Manitoba, Ms. Soper
4 indicated that Cash Money has converted its leases to
5 a month-to-month basis as they came up for renewal,
6 correct?

7 DR. CHRIS ROBINSON: My recollection
8 is that was only one (1) store that they'd converted
9 to month-to-month, and that the other three (3) were
10 on long leases, as is the case for them in the rest of
11 the country.

12 MS. PATTY KO: And I --

13 DR. CHRIS ROBINSON: But I'm going by
14 recollection. I don't have a note on that.

15 MS. PATTY KO: Sure. And certainly,
16 we have transcripts that would be able to speak to the
17 month-to-month basis. Thank you, Dr. Robinson.

18 And then Ms. Soper's presentation, she
19 also indicated that Cash Money has opened up forty-
20 five (45) stores elsewhere in Canada in the past two
21 (2) years, correct?

22 DR. CHRIS ROBINSON: I don't remember
23 her stating that, and I haven't been tracking the
24 stores year by year, but that's certainly consistent.
25 I'm -- the evidence is clear that -- or my own

1 evidence shows that they have opened a substantial
2 number of stores in the past three (3) years. So,
3 yes, that would be consistent with the evidence I've
4 actually provided in writing.

5 MS. PATTY KO: Thank you, Dr.
6 Robinson. I'm going to ask that you turn to Appendix
7 3 of your report, the Canadian Payday Lending Data.

8

9 (BRIEF PAUSE)

10

11 MS. PATTY KO: Sorry. My apologies.
12 Appendix --

13 DR. CHRIS ROBINSON: You want Appendix
14 4 --

15 MS. PATTY KO: -- 4.

16 DR. CHRIS ROBINSON: -- right?

17 MS. PATTY KO: Appendix 4.

18 DR. CHRIS ROBINSON: Yeah. Okay.
19 It's okay. I can't keep track of them either.

20 MS. PATTY KO: I'm just going to
21 highlight some numbers here for you. Under "Canada",
22 we see that the estimated population is approximately
23 35 million.

24 Do you see that?

25 DR. CHRIS ROBINSON: Yes, can you --

1 can everybody -- can everybody else see that who needs
2 to see it?

3 DR. WAYNE SIMPSON: It's up here.

4 DR. CHRIS ROBINSON: Oh, yeah, no, I
5 know that, I have to operate with three (3) different
6 pairs of glasses, so I'm just making sure that nobody
7 else is as -- difficulties as I am. Okay.

8 MS. PATTY KO: And we --

9 DR. CHRIS ROBINSON: Thank you, Diana.

10 MS. PATTY KO: Thank you. And we see
11 that the stores per a hundred thousand (100,000) of
12 population is three point nine-nine (3.99) for -- for
13 Canada?

14 DR. CHRIS ROBINSON: Yes.

15 MS. PATTY KO: And then you contrast
16 that with Manitoba. We see that the population is
17 1.29 million, approximately?

18 DR. CHRIS ROBINSON: Yes.

19 MS. PATTY KO: And we see that the
20 stores per a hundred thousand (100,000) population is
21 three point o-nine (3.09).

22 Do you see that?

23 DR. CHRIS ROBINSON: Yes.

24 MS. PATTY KO: And then just for
25 contrast, we look at Saskatchewan, and we have a

1 population of 1.13 million.

2 Do you see that?

3 DR. CHRIS ROBINSON: Yes.

4 MS. PATTY KO: And the stores per a
5 hundred thousand (100,000) population is four point
6 six-eight (4.68)?

7 DR. CHRIS ROBINSON: Yes.

8 MS. PATTY KO: Now, I'll ask you to
9 turn to Appendix 3, Dr. Robinson.

10 DR. CHRIS ROBINSON: Oh, just one (1)
11 thing. If I could just bring to the Board's
12 attention, it's -- it's a minor point, but this, of
13 course, is where I did make the correction. So where
14 it says "NA" for Prince Edward Island, there are, in
15 fact, two (2) stores.

16 MS. PATTY KO: Thank you.

17 DR. CHRIS ROBINSON: Which means what,
18 one point four (1.4) per hundred thousand (100,000),
19 roughly.

20 MS. PATTY KO: Thank you, Dr.
21 Robinson. If you can turn to Appendix 3, please.

22 DR. CHRIS ROBINSON: Yes.

23 MS. PATTY KO: I'm just going to ask
24 that you'd lick -- take a look at the notes at the
25 very bottom.

1 DR. CHRIS ROBINSON: Diana, can you --
2 can you --

3 MS. PATTY KO: Yeah, there we go.

4 DR. CHRIS ROBINSON: -- rotate it?

5 MS. PATTY KO: Yeah.

6 DR. CHRIS ROBINSON: Yeah.

7 MS. PATTY KO: Perfect. The writing
8 is a little bit small, but just at the notes at the
9 bottom.

10 DR. CHRIS ROBINSON: Yes, she will --
11 she will bring it up for you.

12 MS. PATTY KO: So the -- the first
13 note that we see is:

14 "Most of this table comes from
15 Center for Responsible Lending
16 (2014)."

17 Correct?

18 DR. CHRIS ROBINSON: I corrected that.
19 It's -- I believe it's 2013, and part of the table is
20 from Pew. Furthermore, I've corrected part of the
21 table in a subsequent -- in, I believe, Tab 37. And
22 it's just the right -- not corrected, but made it,
23 rather, more useful.

24 MS. PATTY KO: And I understood that,
25 that you --

1 DR. CHRIS ROBINSON: But -- but
2 virtually, everything here is -- is unchanged and --
3 and is -- is reliable as data as we can get.

4 MS. PATTY KO: Thank you. And you
5 answered one (1) of my questions. I just wanted to
6 make sure they -- what you entered as Exhibit 37, I
7 believe, was just a -- a different format with using
8 the same data, correct?

9 DR. CHRIS ROBINSON: I believe that
10 there -- well, I think this is actually useful
11 information for you and for the Board, so I will, if
12 you -- take just a minute to explain.

13 The table here is really a con -- I
14 better not use that word, it's a -- it's put -- I put
15 together two (2) tables from -- from American sources,
16 from Pew and CRL. And the original expression, and I
17 really should have dealt with it at the time was, how
18 much would a three hundred dollar (\$300) loan cost.

19 For example, the young lady from
20 Policis made that mistake of not actually figuring out
21 what the -- what the rules are. So I felt it would be
22 more useful for the Board, and for you, for anybody
23 involved in this, if they had the actual rules.

24 So that's why I did that table. And in
25 the process, I discovered -- I didn't actually check

1 each one, but I discovered that I had one (1) of them
2 wrong as well. Mississippi, which means Pew had
3 Mississippi, expressed incorrectly. They actually had
4 the wrong number per three hundred (300). So you
5 should use table 37 when looking at -- at the rules
6 where I said, you know, so much per hundred.

7 And I also gave the loan limits since -
8 - as a matter -- as a matter of interest to the Board,
9 which I hadn't done previously, but there's very
10 little disagreement between the two (2). Table 37 is
11 -- is much more useful, I believe.

12 MS. PATTY KO: Thank you, Dr.
13 Robinson. I'm just looking to the sources of the data
14 that informs us both for this Appendix 3 and the
15 Exhibit 37. So you indicated to us the source of most
16 of this table comes from the Centre for Responsible
17 Lending, and it should be 2013, correct?

18 DR. CHRIS ROBINSON: Yes, and they
19 were drawing it from regulators, but as you know, they
20 were also -- and in fact, as you asked in respon --
21 Information Requests, they're also asking for it from
22 Stephens, who's another researcher who did a lot of
23 work.

24 And when I spoke with CRL, they told me
25 about Stephens, but I relied on their data.

1 MS. PATTY KO: Sure. And so that --
2 we find that at note 1:

3 "When regulator data was
4 unavailable, we used the figures
5 from the 2011 Stephens Inc. annual
6 report based on 2010 payday loans."

7 Is that what you're referring to?

8 DR. CHRIS ROBINSON: Yes.

9 MS. PATTY KO: And you also indicate
10 at note 3 that:

11 "For the states that did not report
12 payday loan volume we estimated it
13 by multiplying the number of payday
14 loans in the state times the average
15 number of loans per store times the
16 medium loan size from CFBB 2013."

17 Correct?

18 DR. CHRIS ROBINSON: Yes. And I
19 relied upon these calculations. I did not check that
20 -- that CRL, CFPB, and everybody else was doing all of
21 this correctly.

22 MS. PATTY KO: Thank you. And you
23 also indicate at note 5 that:

24 "For states that did not report
25 average loan amount we assumed the

1 three hundred fifty (350) median
2 from the CFPB 2013 again."

3 DR. CHRIS ROBINSON: Yes.

4 MS. PATTY KO: Thank you.

5

6 (BRIEF PAUSE)

7

8 MS. PATTY KO: Dr. Robinson, I'm going
9 to ask that you turn to page 7 of your report.

10

11 (BRIEF PAUSE)

12

13 MS. PATTY KO: About the third
14 paragraph, this is where you're looking at -- I think
15 the heading of -- of this is, "A brief a look at the
16 US and UK," correct, Dr. Robinson?

17 DR. CHRIS ROBINSON: I'm sorry, please
18 say that again.

19 MS. PATTY KO: We're -- we're looking
20 -- sorry, page -- I apologize, page 8 of your report.
21 My apologies. So we're looking at paragraph 3 under
22 the heading, "A brief look at the US and UK," correct?

23 DR. CHRIS ROBINSON: Yes.

24 MS. PATTY KO: I'm just going to ask
25 that you look at the last two (2) sentences there.

1 You indicate in relation to the UK:

2 "Casual net searches and Buckland
3 2016 forthcoming provides some
4 evidence that payday lending
5 business thrives in the UK under
6 this regulation and a lot of
7 business is done via online
8 lenders."

9 Which we've heard from you yesterday,
10 correct?

11 DR. CHRIS ROBINSON: Yes.

12 MS. PATTY KO: And then the next
13 sentence that you have there is:

14 "If the PUB wishes a more thorough
15 examination of the UK experience it
16 could authorize further research."

17 Correct?

18 DR. CHRIS ROBINSON: Yes.

19 MS. PATTY KO: I actually have now --
20 thank you, Dr. Robinson. I have a few questions for
21 Dr. Buckland. I'm just going to ask that perhaps we
22 turn to Dr. Buckland's under Tab 2 of the Coalition's
23 pre-filed evidence. And that's the document, "Payday
24 lending, a mature industry with chronic challenges,"
25 and just at page 6, please.

1 (BRIEF PAUSE)

2

3 MS. PATTY KO: I guess at the -- near
4 the bottom there of the footnote. Now, Dr. Buckland,
5 yesterday you had made reference in your evidence with
6 respect to some Pew Trusts studies, correct?

7 DR. JERRY BUCKLAND: Yes.

8 MS. PATTY KO: And I understand the
9 Pew Trusts studies, the various ones that you referred
10 to, was actually a series of studies that Pew Trusts
11 conducted or reports that came out from them?

12 DR. JERRY BUCKLAND: Yes.

13 MS. PATTY KO: And you had made
14 reference in response to one (1) of the panel member's
15 questions, that the Pew Trust piggybacked off a
16 omnibus survey -- survey?

17 DR. JERRY BUCKLAND: That's correct.

18 MS. PATTY KO: Okay. And so I believe
19 at note 2 here you are describing that -- that survey
20 and the piggybacking survey, correct?

21 DR. JERRY BUCKLAND: Yes.

22 MS. PATTY KO: And so the overall
23 national survey, we're talking, where you said just
24 the middle here, a total of forty-nine thousand six
25 hundred eighty-four (49,684) people were involved?

1 DR. JERRY BUCKLAND: Yes.

2 MS. PATTY KO: And that just in the --
3 in the next part, in the followup survey that the Pew
4 Trust documents rely on a total of four hundred fifty-
5 one (451) were surveyed in the followup survey,
6 correct?

7 DR. JERRY BUCKLAND: That is correct.

8 MS. PATTY KO: Now, I -- those are my
9 questions for the panel members. But I understand
10 that Mr. Norm Bishop has a few questions of his own.
11 Thank you. Thank you.

12

13 CROSS-EXAMINATION BY MR. NORM BISHOP:

14 MR. NORM BISHOP: Yeah, I just have a
15 few followup questions for Dr. Robinson. Good
16 morning.

17 DR. CHRIS ROBINSON: Yes. I --

18 MR. NORM BISHOP: I -- I just want to
19 clarify a few points on IR -- CPLA IR1-2. And I -- I
20 don't need to read the whole thing through. It -- it
21 turns on the issue of how lenders provide payday
22 loans. And the -- the question that was asked was
23 that you had indicated in your report that payday
24 lenders require little capital. And in response to
25 that question, you had indicated at the bottom:

1 "Most of them are now refusing to
2 give money to clients, and instead
3 give them debit cards so cashflow is
4 small."

5 Now --

6 DR. CHRIS ROBINSON: I --

7 MR. NORM BISHOP: -- now just to frame
8 the question, I believe there's forty-three (43)
9 licences in Manitoba for payday lenders. And of the
10 CPLA they -- there are thirty (30) licences to CPLA
11 members.

12 And I understand in C11's evidence they
13 indicated that they provide debit cards. The CPLA is
14 aware that all of their members provide cash, and are
15 not aware of anybody besides C11 that provides the
16 debit cards exclusively and does not provide cash.

17 So my question is: In Manitoba, what
18 payday lenders besides C11 do not provide cash to
19 people applying for a payday loan?

20 DR. CHRIS ROBINSON: I think you have
21 found an error in my information response. I think I
22 was focusing on A1 C11, and on statements in general
23 from payday lenders. My model, in fact, doesn't
24 assume debit cards. It assumes that they're carrying
25 cash for the loans.

1 But you're -- you're correct -- or,
2 sorry, to my knowledge and from what I've heard during
3 the -- the presentations here, you do recall that we
4 were unable to get any information from the industry
5 about virtually anything, so it's pretty hard,
6 possibly I should never have said anything about it.

7 Yes, I -- I do not -- I -- I think I
8 would withdraw that comment. Fortunately, my model
9 continues to use cash as if they were all offering it.

10 MR. NORM BISHOP: Okay. Thank you for
11 that. I think that will clear up a misunderstanding.
12 Also on interrogatory -- I-35, you had -- you had made
13 a statement in the material that you filed that the
14 industry as a whole has -- have argued that
15 regulations should not exist, or should be very loose.

16 And I just want to clarify: In your
17 response to that, in referring to the industry you
18 indicated that the basis for that statement was you
19 spoke to a Mr. Ted Sorenson?

20 DR. CHRIS ROBINSON: Well, I spoke to
21 a number of people. It's eight (8) years ago, and
22 there was a great deal of testimony which was not as
23 organized as it is in this proceeding. However, I
24 think I know where you're going with this question,
25 and I do agree with what -- what you want me to say,

1 which is that the CPLA has always stated on the record
2 that it is in favour of regulation, and was doing so
3 when I first came into the -- started doing research
4 in payday lending.

5 I think that may be what you actually
6 want, and -- and I do agree that that statement --
7 that's true, that CPLA has always made that statement.
8 I've never heard them -- heard the CPLA itself make a
9 different statement and I, among other things, spent a
10 great deal of time with Bob Whitelaw who was the
11 former -- whatever the informal title is, president or
12 executive director.

13 MR. NORM BISHOP: Well, thank you. I
14 wasn't asking you -- wanting you to say anything in
15 particular but that's very nice --

16 DR. CHRIS ROBINSON: Well, but my job
17 is to assist the Board, and this IR is perhaps -- or
18 perhaps my statement was not fair or was misleading,
19 so.

20 MR. NORM BISHOP: Well, I -- I just
21 want to clarify that, yes, I think everybody knows the
22 CPLA has been involved in putting -- providing input
23 on regulation. But you -- you weren't suggesting any
24 other representatives of the industry, other than Mr.
25 Sorenson, were advocating for no regulation.

1 DR. CHRIS ROBINSON: I just don't
2 recollect the specifics of whom I spoke with, or what
3 they had to say. There was a great deal going on at
4 that time. I believe I spent eleven (11) days --
5 parts of eleven (11) days in this hearing room --

6 MR. NORM BISHOP: I believe we all
7 did.

8 DR. CHRIS ROBINSON: -- and many more
9 days here. I just don't remember any more details. I
10 do recall Mr. Sorenson saying that, but -- but you're
11 quite correct. I don't -- I can't tell you who else
12 said that.

13 MR. NORM BISHOP: So your statement
14 refers to hearings six (6) or seven (7) years ago as
15 opposed to today.

16 DR. CHRIS ROBINSON: Yes, that's
17 correct.

18 MR. NORM BISHOP: And (1) final
19 question. In your written material and then in your
20 oral evidence yesterday, you made a number of
21 references to the work of Deloitte and Ernst & Young
22 and how it was not properly done or they weren't clear
23 on what they were doing.

24 And I was just wondering if you could
25 elaborate on that, give a little more explanation of

1 what you meant.

2 DR. CHRIS ROBINSON: I hope you don't
3 have a plane to catch. Okay. Let me start first with
4 the work of Ernst & Young. I did attempt to convince
5 them to do it properly, but I was not successful
6 because I did speak with them a long time ago.

7 And there's a difference -- there's --
8 there's one (1) issue that arises with Ernst & Young
9 that does not arise with Deloitte now. And I referred
10 yesterday to Dollarama and Dollar Tree, and it's the
11 same issue that arises if you're trying to value them.

12 When Ernst & Young was doing this work
13 originally, the industry was still expanding.
14 Furthermore, they were, as -- as I -- as we all have
15 to, we're relying on the past data. So when we held
16 hearings here in 2007 and '08, we were of course
17 looking at data that was going back, you know, a
18 number of years. I think I was going back as far as
19 2002 at that point.

20 So when an industry is expanding,
21 there's -- you'll have seen a statistic in any
22 retailer. Remember, I have stated that this is a
23 small business like any other, and in fact it's a
24 retail business. The fact that they're selling or
25 renting money doesn't actually change the fact that

1 they have a lot of the characteristics.

2 And you may -- you've probably seen, in
3 reading in the newspapers, when there are earnings
4 reports coming out from retailers, that they talk
5 about same-store sales and the growth in that.

6 And this is a critical variable in
7 evaluating performance. And the reason for that is
8 that you don't get 100 percent of your sales the day
9 you open. It takes you a period of time. It can be
10 in fact several years.

11 Now, think very carefully about how I
12 and Ernst and Deloitte have been expressing our costs.
13 They are costs related to volume. But stores, when
14 they open, don't have full volume. However, as I've
15 testified and as the industry will agree, they incur
16 most of their costs right away.

17 Remember, the cost of capital is very
18 small. But even if you have no business, you have to
19 have the store open, and so you pay rent, you pay for
20 the computers, you pay for the phone lines, you pay
21 for the people who are sitting there.

22 I walked past Money Mart yesterday, and
23 as in fact has been the case every day, every time
24 I've walked past them since I came to Winnipeg, there
25 was nobody in it. But the staff is still being paid,

1 I hope.

2 So when you measure costs in a rapidly
3 expanding industry and measure them as a percentage of
4 volume, you are in fact mis-measuring. You overstate
5 the costs per hundred dollars (\$100) very
6 substantially.

7 I have methods of trying to back that
8 out. Had the industry been willing to provide any
9 data, I could have done a better job. At that time, I
10 had two (2) companies, but it was hard to sort them
11 out. And of course they were behaving differently in
12 different provinces.

13 But it did mean that Ernst & Young's
14 dollars per hundred, especially operating costs, were
15 overstated, substantially overstated, because of the
16 growth in the industry. I teach my students how to do
17 that when they're valuing anything that's growing. So
18 that was the biggest problem with Ernst & Young.

19 They made a -- two (2) more errors.
20 They were double counting bad debt. So they were
21 counting them both in revenue and then charging them
22 again as an expense. As I demonstrated with Dr.
23 Buckland yesterday, what you actually lose -- by the
24 way, he did return the -- the mon -- the hundred
25 dollars.

1 What you actually lose is the cash
2 value, and that's how my model works. But they were
3 in fact -- the -- the way their -- their costs work,
4 if you were to put them against revenue, they would
5 have actually charged the bad debts twice. Now,
6 that's -- and that's a fairly substantial problem.

7 Now, Ernst & Young and Deloitte, of
8 course, don't actually do -- create my model. That
9 is, they do not do the revenue and then come to a
10 conclusion. They're very careful to say that. The
11 trouble is their cost per one hundred (100) are being
12 used as if they matched my model and the way I do it,
13 and they don't. They overstate the costs.

14 The third thing was the cost of
15 capital, which in 2008 I described as a horse and
16 rabbit stew. I don't know if you know the story of
17 the horse and rabbit stew, but, you know, you're
18 promised this wonderful stew made of horse and rabbit.
19 And you say, Well, that sounds interesting. We're not
20 so crazy about the horse, but I love rabbit. Well, of
21 course it's one (1) rabbit, one (1) horse.

22 And consequently what you get is
23 primarily horse stew. And the horse, in this case, is
24 the operating costs as Cash Money -- I mean, they --
25 they have their numbers wrong as well, but as Cash

1 Money showed you, even so. Even with their errors it
2 was 56 percent operating costs and 8 percent capital
3 costs. So the horse is the -- is the costs.

4 However, what Ernst -- the mistake
5 Ernst & Young was doing was it looked at accounting
6 rates of return for a short period for various
7 industry. And, of course, you don't do that. You use
8 market values to get cost of capital. The -- in one
9 (1) of its IRs I see CPLA has been protesting that I
10 didn't use the capital asset pricing model for that.

11 I had a good reason for not using the
12 capital asset pricing model and in my IR it turned out
13 I was right. I was pretty sure it was going to give
14 me lower cost to capital in the method I used. The
15 method I used is long established. It predates even
16 somebody as old as me.

17 And it's just a very simply method. I
18 simply take -- take the debt rate, which includes the
19 risk of the company and then add 4 percent, very
20 common, you'll find it in every text book. I thought
21 that would give the highest cost to capital and I
22 think I'm right. When I did it with the capital asset
23 pricing model and I then went and searched the betas,
24 did all the stuff you do, I got a lower rate. So I
25 was actually trying to -- to be conservative in that

1 respect.

2 The Deloitte report does not have the
3 growth problems. It has the problem that they don't
4 understand the proper method of calculating cost to
5 capital, but again, that's not important. They're
6 double counting the debt rates.

7 In other words, if you're to use my
8 model you must, as I showed, use a different debt
9 rate. Again, if you -- if you like I can show you the
10 algebra and in fact how I calculated the cash debt
11 rate out of cash monies --

12 MR. NORM BISHOP: I think I'd prefer
13 the horse and carrot recipe. Thank you.

14 DR. CHRIS ROBINSON: Well, I -- I must
15 admit I do like making stew, so how about a lamb stew.
16 Okay. And the third problem with the Deloitte one
17 actually partially goes into the -- Dr. Simpson's
18 realm in a way.

19 They spoke of a sample, but it's not a
20 sample. It was a deliberately chosen population.
21 That is, they asked four (4) companies and I think --
22 I think we can be pretty sure that the companies
23 weren't asked out of the blue, they'd already said,
24 Yeah, we'll do this for you. I have probably been
25 able to identify three (3) of the companies by going

1 through evidence of that the Alberta Regulator
2 couldn't give me, which is what all -- who everybody
3 is in Alberta.

4 So I went through, you know, yellow
5 pages and -- and I did that on the net, plus what he
6 did give me. But this makes it very -- I don't like
7 to rely on data where there has been a selection bias.
8 Now, in the previous -- some of the previous reports
9 that Deloitte and Ernst & Young have provided,
10 especially some of the ones that Deloitte provided in
11 Ontario, they are -- they're an embarrassment to -- to
12 any reputable firm, because the sample excluded
13 virtually all the payday lenders in operation.

14 And so it's clearly so heavily biased
15 as to be totally worthless. Now, Deloitte doesn't
16 suffer that problem and it's possible Deloitte's
17 information is valid, except that that sign -- that
18 very high debt rate is not to be seen in the regulator
19 data.

20 And so when we see that we are -- and
21 of course we have no audited statements, we have no
22 evidence. We don't have an evidentiary basis. We
23 have a claim, which I'm not -- and I was not allowed
24 to examine the evidence myself, and I am an expert in
25 this field.

1 And -- I mean, I spent a lifetime
2 learning how to tear stuff out of financial
3 statements. You've seen me do it out of just an oral
4 -- oral statement. So that's why I didn't like
5 relying on any of that data.

6 Okay. So you still have time to catch
7 your plane.

8 MR. NORM BISHOP: Thank you. And with
9 the E&Y report, I think that was the first report of
10 its type that was done in Canada, yeah?

11 DR. CHRIS ROBINSON: As far as I know,
12 yes.

13 MR. NORM BISHOP: And the report was
14 commissioned by the CPLA under its former name. And
15 they retained Ernst & Young to do -- develop the
16 methodology. And, Dr. Robinson, I believe you were
17 engaged by Industry Canada to sit down with Ernst &
18 Young, review and comment on the methodology, and in
19 fact, met with Ernst & Young in 2004 and provided your
20 input to the methodology of doing the study.

21 Is that correct?

22 DR. CHRIS ROBINSON: That was how it
23 happened. Okay, I couldn't -- I was trying to
24 remember how it was I met with Ernst & Young, because
25 I recall doing what you've just said. I didn't know

1 why I was doing it or -- so I guess they -- or
2 Industry Canada must have known and directed me to do
3 so.

4 MR. NORM BISHOP: That's -- that's
5 correct. You would have met with Peter Tzanetakis and
6 Sasha Potter (phonetic) of Ernst & Young on September
7 16th, 2004, to review and comment?

8 DR. CHRIS ROBINSON: I only recall
9 Peter Tzanetakis, because he did all the talking, but
10 it's possible the other person was present.

11 MR. NORM BISHOP: And I -- I'm just
12 going to read a statement to you about your comments
13 because, as you will recall, before the study was
14 actually undertaken, the methodology was established
15 and was not going to be proceeded with until you and
16 Industry Canada provided your input and comment that
17 it was valid and a -- a good basis for conducting a
18 study.

19 And the comment would be:

20 "Robinson was told about the costs
21 of isolating the costs of capital
22 with 15 percent for equity and 7
23 percent for debt. A discussion
24 occurred, and Robinson accepted and
25 understood the reasons for the

1 numbers."

2 Would that be a fair statement in your
3 recollection?

4 DR. CHRIS ROBINSON: I really can't
5 testify as to my recollection of what happened. I'm
6 just trying to think about whether I would have
7 accepted those numbers. Oh, for a nominal cost of
8 capital or high -- well, of course, debt rates were
9 different at that time. Seven (7) per -- 7 percent's
10 actually lower than I'm using now.

11 The 15 percent is too high. What's
12 missing from that is the identification of nominal
13 versus real.

14 MR. NORM BISHOP: So just dealing with
15 the report as a whole. Did you recall reviewing the
16 methodology and confirming to Industry Canada that it
17 was a valid methodology to proceed with to conduct a
18 study?

19 DR. CHRIS ROBINSON: Well, you have to
20 understand I didn't get to see what they actually were
21 going to do in complete detail or see what it was they
22 did. In other words, they made certain statements --

23 MR. NORM BISHOP: But -- but my ques -
24 - my question is in respect to the methodology of the
25 study. Do you recall?

1 DR. CHRIS ROBINSON: That's the point.
2 I was never given -- and this is not to -- to blame
3 Ernst & Young. They made certain statements. And, of
4 course, I can't recall. They did not -- in other
5 words, I did not have the report to see what it was
6 they were -- you know, had done or exactly what they
7 were going to do.

8 So it's -- it's very difficult to
9 comment on something like this when you don't actually
10 know what they're doing, when what you have is, shall
11 we say, disconnected statements about how they're
12 going to proceed. So I didn't have the same
13 information available to me then, and again, this is
14 not their fault, then than I have once I actually get
15 to see what they did as opposed to what they said they
16 were going to do.

17 MR. NORM BISHOP: So your evidence
18 today is that you didn't report to Industry Canada
19 that you had reviewed the methodology and found it
20 valid?

21 DR. CHRIS ROBINSON: I had reviewed
22 what they -- what information they provided for me at
23 the time. And -- and, of course, I also now have the
24 benefit of far more data and far more experience in
25 doing this work, since I've now been able to do it

1 myself. But at that time, I had no data. I had
2 nothing. And I subsequently realized how I could get
3 the data out of the 10-Ks in the US.

4 But -- so at that point, I did not know
5 all of the problems that would arise with the reports.
6 And so -- and, as I said, they did not present to me
7 all of the details of what they were going to do, how
8 they were going to do it. Much of what they said:
9 Well, this is proprietary. This is secret. We can't
10 tell you. We're not going to tell you who we're
11 sending it to. We're not going to tell you who's
12 going to respond, so it was very difficult for me to
13 tell.

14 For example, their division into
15 different groupings was not evident in what they told
16 me at the time. And, of course, it should -- the --
17 the Board should understand I do not disagree with all
18 the findings of the report. I've, in fact, cited it
19 in a number of cases. And those findings, of course,
20 could also be wrong, but not because of any
21 methodology, simply because of the nature of how
22 difficult this is.

23 So for example, a number of repeat
24 borrowers, the fifteen (15) to one (1), and the very
25 substantial cost involved in -- require in first time

1 borrower versus repeat borrower. And, of course, it
2 was my discussions with them that led me to understand
3 the -- the operating leverage that your colleague
4 asked about. The fact that it's all wages and
5 salaries, it's all fixed, and they can't get out of
6 it. So that I understood much more about the cost
7 structure.

8 The actual numbers, I think they're wro
9 -- I think that their methods lead to a lot of
10 problems. The intuition about how the industry
11 operates, though, I agreed with what they were looking
12 at and how they were going to find it, and -- and they
13 did, in fact -- you know, that more general
14 conclusion. So they draw from their report, which is
15 the most thorough done --

16 MR. NORM BISHOP: So did -- did you do
17 a report to Industry Canada on the methodology?

18 DR. CHRIS ROBINSON: Well, you asked
19 for freedom of information. Since I was muzzled on
20 the report, Consumers Measures Committee told me I was
21 not allowed to speak to anybody about it, I don't
22 recall what I said in the report anymore. I have not
23 read it in years.

24 I -- I -- you have it. You asked for
25 it in freedom of information back in 2008, so I

1 presume you've read it and you're telling me what you
2 read in it. But I don't remember what I said to
3 Industry Canada because, as I said, that was ten (10)
4 years ago, and I was ordered not -- by -- by the gov -
5 - well, by -- sorry, by Industry Canada not to speak
6 of it to anyone.

7 MR. BYRON WILLIAMS: It's open to Mr.
8 Bishop if he wishes to refresh Dr. Robinson's memory
9 to share any document with him that is -- purports to
10 be authored by Dr. Robinson, if he wishes.

11

12 CONTINUED BY MR. NORM BISHOP:

13 MR. NORM BISHOP: Well, I -- I don't
14 have the document. I -- that's why I was asking about
15 it. Dr. Robinson, the -- you made reference to the
16 freedom of information request by the CPLA.

17 DR. CHRIS ROBINSON: Yes.

18 MR. NORM BISHOP: What -- what's your
19 information on that?

20 DR. CHRIS ROBINSON: Well, it was in
21 the middle of the hearings, so it was probably still
22 in the Fall of 2007. The CPLA had made a freedom of
23 information request for this document. And -- and I
24 could -- I was still not allowed to share it. I mean,
25 I had had to sign whatever agreement I had to sign

1 with the government, and of course the government had
2 -- had changed and -- and King Stephen Harper had now
3 come to power.

4 The -- so I sort of -- I mean, I says,
5 Okay, I learned a whole lot. And then the opportunity
6 came up with ACORN for me to redo the research. Your
7 -- the CPLA did not refer further, so it came in in
8 the middle. They suddenly had their freedom of
9 information request came through. We all know the
10 problems with these. And it was placed into evidence
11 along with -- I still remember the binders of other
12 evidence that the Board brought in at that time --

13 MR. NORM BISHOP: If -- if I could
14 just interrupt you. I'm -- I'm just -- it's a general
15 inquiry. The purpose is that the CPLA has no
16 knowledge of ever issuing a freedom of information
17 request, so perhaps it was issued by another party. I
18 was just wondering if you had any knowledge on that.

19 DR. CHRIS ROBINSON: No.

20 MR. BYRON WILLIAMS: We -- we could
21 undertake to examine that. We can't guarantee, but it
22 -- it may have been from Rent Cash, or a different
23 party to the hearing, so. I can't promise that we'll
24 be able to provide a res -- but we could undertake to
25 review the record and see if we could, on a timely

1 basis, respond to CPLA on that point.

2

3 CONTINUED BY MR. NORM BISHOP:

4 MR. NORM BISHOP: That -- that's fine.

5 It -- it's not an important point. It was just one

6 (1) --

7 DR. CHRIS ROBINSON: May I -- may I

8 offer for the Board and -- and for -- for you. This

9 is not an antagonistic piece of information. Nobody

10 proceeded with it, and I think -- I think counsel is

11 correct, I -- I'm -- it was almost certainly Rent Cash

12 that made that request. It was almost certainly Rent

13 Cash, Monsieur Hacault.

14 But nobody proceed -- nobody wanted to

15 read it anymore, least of all Rent Cash and CPLA,

16 because at that time, using the data I had then, and

17 I've simply gotten better at doing this, in my

18 opinion, I was concluding the rate --

19 MR. NORM BISHOP: But we're -- we're -

20 - I was just asking --

21 DR. CHRIS ROBINSON: -- ten dollars

22 (\$10) per hundred.

23 MR. NORM BISHOP: -- about the -- the

24 request so that --

25 MR. BYRON WILLIAMS: Well, just --

1 DR. CHRIS ROBINSON: Okay.

2 MR. BYRON WILLIAMS: -- just to -- if
3 it will assist CPLA, we'll agree to -- to see if we
4 can find out that small point, if that would be of
5 assistance.

6 MR. NORM BISHOP: That would -- that
7 would be fine. And that concludes my questions.
8 Thank you very much.

9 MR. BYRON WILLIAMS: I do apologize to
10 -- for interrupting, Dr. Robinson. I just wanted --
11 just noting the time was tight for -- for others, and
12 I just wanted to make sure that we stayed on
13 responses. I'm sorry, Dr. Robinson.

14 THE PANEL CHAIRPERSON: Okay. Thank
15 you very much for your cross-examination. I -- we
16 have a couple of other questions here from the panel.

17 Mr. Gosselin...?

18 MR. REGIS GOSSELIN: Dr. Robinson and
19 -- and perhaps Dr. Buckland -- can jump in in -- in
20 respect of -- of what I'll be talking about.

21 And specifically, what I've got in mind
22 and what I'm looking at is the CPLA Exhibit 12. And
23 I'm wondering if Diana could bring it up. It's a
24 document that outlines the recommendation --
25 recommended initiatives that were brought forward by

1 the industry.

2 DR. CHRIS ROBINSON: Okay. Diana, can
3 you -- do you have that? Yeah.

4 MR. REGIS GOSSELIN: Now, Dr. -- Dr.
5 Robinson, you -- you made a -- I'm -- I'm looking -- I
6 was looking through the transcript, trying to find the
7 reference to -- to what you said yesterday about
8 working with industry to develop an instalment
9 program, instalment loan program.

10 And -- and I can't -- I couldn't find
11 it. I'm sorry about that, but I guess there is a
12 recommendation from industry about the optional
13 extended payment plan.

14 DR. CHRIS ROBINSON: Yes.

15 MR. REGIS GOSSELIN: Have you had a
16 chance to look at that?

17 DR. CHRIS ROBINSON: Oh, yes, I have.
18 I have read it, and I listened originally when the --
19 in the opening statement when they -- they spoke about
20 this.

21 MR. REGIS GOSSELIN: And is it your
22 view that that would go a long distance towards
23 addressing the recommendation you made to us about
24 developing an instalment plan?

25 DR. CHRIS ROBINSON: Yes. I -- that

1 plan is -- actually looks -- they -- you could ask --
2 you could ask CPLA, but that plan looks to me like
3 it's what BC has buried somewhere in its legislation,
4 that if you take out three (3) or more loans, you're
5 required to -- to do it.

6 I -- I know it's in there somewhere.
7 Okay. Your counsel has just informed me that my
8 memory is correct. She found it for me, but I -- I
9 haven't re-read the BC rules. I found them and then
10 lost them.

11 So it appears that British Columbia
12 regulators see -- or the lawmakers, I guess, the CPLA,
13 the State of Washington, and I are all agreed that
14 this would be a desirable thing.

15 The plan that they have written there
16 is slightly different than what I suggested to you,
17 and it wasn't as strong as a recommendation, because I
18 believe the industry should be consulted on this.

19 But I agree with number 1. I think
20 that this would be a good idea. I'm happy that CPLA
21 has suggested it. If I had picked this up earlier, it
22 would have influenced my research as well to -- to
23 maybe recommend even more strongly.

24 MR. REGIS GOSSELIN: Now, in the
25 mandatory versus optional, and the whole notion of a

1 consulting industry about -- about that issue, I
2 suppose, is part of what you've been talking about to
3 industry.

4 DR. CHRIS ROBINSON: Well, I think
5 that the evidence from my colleagues -- you heard what
6 they had -- what the panels had to say. We have also
7 -- we don't know -- we don't have really recent data
8 on Colorado.

9 What we've read is sort of what they
10 had in the first year or two (2) after they instituted
11 it, but they didn't do -- at least I don't think they
12 did the really in-depth qualitative research that my
13 colleagues did.

14 So it sounds like we cannot -- you may
15 recall in my opening statement I said, We can't blame
16 payday lenders or the industry for all the things that
17 are wrong in society, all the debt problems, or
18 anything else. It's not their fault, and we can't
19 expect them to solve those problems.

20 So if we are going to have borrowers
21 who are going to go to multiple lenders, and who are
22 going to find ways to get around whatever we try to do
23 to help them, we can't blame the industry for that,
24 and we can't make them be the police.

25 So the -- this should be optional. It

1 should be required that they offer it to everyone,
2 that they inform everyone of it. And we already know
3 some people won't even get it, won't even understand
4 it. Others will be using it as a different mechanism
5 and will say, No, no, I'm going to pay it back right
6 away.

7 I think this -- this is at least the
8 best thing that I can think of. Clearly, the CPLA
9 agrees, that this would alleviate the problems for at
10 least some consumers. Maybe it will alleviate
11 problems for the consumers whom we can help by these
12 sorts of means. Maybe some people, we can't do
13 anything for.

14 DR. JERRY BUCKLAND: If -- if I could
15 also just make a comment, the US Consumer Financial
16 Protection Bureau has a draft proposal out now in
17 terms of making reform to payday loan regulations
18 federally.

19 And the proposal right now says that
20 either payday lenders be required to underwrite
21 clients before they provide payday loans, or they have
22 the -- they would have the requirement to move to this
23 kind of plan where the consumer is unable to repay
24 after three (3) loans.

25 And so I think they're grappling with

1 the repeat loan issue, that is the CFPB, and they're
2 seeing this kind of plan as one (1) -- one (1) way to
3 address it where underwriting is not pur -- pursued.

4 MR. REGIS GOSSELIN: Now, the -- the -
5 - they have indicated a number of other initiatives,
6 six (6) further initiatives than the one (1) we just
7 discussed. Now, some of the -- some of the
8 initiatives appear to be addressing issues that really
9 haven't come up in these proc -- these proceedings.

10 I don't necessarily think they're a bad
11 thing, but I would -- I would appreciate your comments
12 about these other initiatives. And perhaps, Dr.
13 Buckland, you might be able to comment on -- on the
14 other initiatives that are being --

15 MR. BYRON WILLIAMS: Mr. Chair, those
16 are great questions. My -- my only -- I -- I just am
17 a little worried about the time for the other
18 witnesses. And -- and it's -- it's up to the panel,
19 but could -- would it be possible to defer that
20 question?

21 And I again apologize for interrupting
22 your train of thought. And that might give our
23 witnesses a bit more time to reflect on them. I think
24 you'll hear some interesting comments. If that's
25 appropriate, Madam Chair?

1 THE PANEL CHAIRPERSON: Yes, that
2 would be fine. Looking at the time, I realize we're
3 getting close to the eleventh hour.

4 MR. BYRON WILLIAMS: And I do
5 apologize for interrupting your question.

6 MR. REGIS GOSSELIN: Now, Dr.
7 Robinson, we -- we just looked at a table that showed
8 that Manitoba is relatively under-served relative to -
9 - to the rest of Canada in terms of numbers of stores
10 per the population we have.

11 And I'm concerned about over-
12 attributing that to -- to the regulation in Manitoba.
13 I think -- regulation Manitoba relative to our
14 jurisdictions.

15 Could -- could you comment about --
16 about that issue?

17 DR. CHRIS ROBINSON: Well, no, it's
18 not surprising that Manitoba's regulation might have
19 some -- some part in that. We could look at all of
20 the American evidence, if we liked, and we'll see that
21 not exclusively, but in -- to some extent, there are
22 more stores where the rates are higher, but there are
23 other factors going on at the same time.

24 You have heard the nature of the
25 borrowers, and they may be slightly different in

1 Manitoba than elsewhere. And this is a natural result
2 of if you rat -- if you lower the rates, if you put
3 pressure on an industry for whatever reason, whether
4 it's by regulation, or by compe -- competition, or by
5 external factors, they will respond to that.

6 They will respond to it by closing
7 stores and by becoming more efficient. Given the high
8 operating leverage, fewer stores means that they
9 operate a lot cheaper, that they can give the loans
10 out a lot more cheaply. That seems to be the
11 principal reason why I con -- why I concluded 17
12 percent in 2008 and am now concluding that we could go
13 lower. It's because the volume's risen and therefore
14 they're more efficient operations.

15 Recall, it's not often attributed to
16 me, but I was the person who designed the statement
17 that Ontario quoted. They didn't look at any of the
18 other research. You could fit the entire loan
19 portfolio of the payday lending industry into the
20 mortgage loan portfolio of a single branch of the Bank
21 of Nova Scotia back in 2008. That hasn't really
22 changed.

23 It's a very small business. So if
24 you're going to spread it out among many outlets, it's
25 going to be really expensive. So this is actually a

1 desirable development for Man -- for -- for Winnipeg.
2 I mean, I can walk out the door here in downtown
3 Winnipeg, and in five (5) minutes, I can be at least
4 at two (2) Money Mart outlets.

5 I know where they both are. I've never
6 seen anybody in either of them yet, which tends to
7 indicate the problem of -- of -- if you have a lot of
8 outlets and no volume, of course you're not going to
9 make any money.

10 So Manitoba is not solely responsible
11 for that. There just isn't enough demand for these --
12 for these loans.

13 THE PANEL CHAIRPERSON: Thank you very
14 much, Dr. Robinson. Now I'm going to turn the mic
15 over to Ms. McCandless, our counsel, for cross-
16 examination.

17 MS. KATHLEEN MCCANDLESS: Thank you,
18 Madam Chair. I am mindful of the time. And I
19 understand that both Ms. St. Aubin and Mr. Simpson
20 need to leave by 11:00. Might I indulge the panel for
21 a five (5) minute break? And then my intention would
22 be to go through straight till when they need to
23 leave.

24 THE PANEL CHAIRPERSON: Okay, five (5)
25 minutes. But let's -- yeah, five (5) minutes will be

1 fine.

2 MS. KATHLEEN MCCANDLESS: Yeah. Thank
3 you.

4 THE PANEL CHAIRPERSON: Thank you.

5

6 --- Upon recessing at 9:59 a.m.

7 --- Upon resuming at 10:05 a.m.

8

9 THE PANEL CHAIRPERSON: Can we call
10 everybody back to order, please? Okay, thank you very
11 much. Now I'm going to call upon Ms. McCandless to do
12 her cross-examination at this time. Thank you.

13

14 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

15 MS. KATHLEEN MCCANDLESS: Thank you.
16 I'll be directing my questions firstly to Dr. Simpson,
17 and then to Ms. St. Aubin, because I understand you
18 both have time obligations this morning. Diana, could
19 we pull up CAC Exhibit 34, the third slide from that
20 exhibit?

21 And Dr. Simpson, I just want to start
22 by looking at this slide from your presentation from
23 yesterday. As I understand it, the -- these are the
24 statistics as to both the financial capability survey
25 of 2014 and the survey of financial security for 2012

1 as to the number of respondents who said they had --
2 they or any household members had used a payday loan
3 in the previous twelve (12) months, and then with
4 respect to 2012, within the past three (3) years.

5 Is that right?

6 DR. WAYNE SIMPSON: Yes.

7 MS. KATHLEEN MCCANDLESS: And, as I
8 understand it, is this the -- the best evidence or
9 data that we have in Canada as to the frequency or the
10 proportion of Cana -- Canadians who use payday loans?

11 DR. WAYNE SIMPSON: I'm not sure that
12 I'm the expert beyond the Statistics Canada surveys.
13 From the perspective of these kinds of what have been
14 referred to in the Pew Trust example as omnibus
15 surveys, these are respected surveys that have been
16 conducted by Statistics Canada with a long-established
17 rethord -- record of sound methodology in -- in
18 interviewing and finding people, and they are -- they
19 are the second versions of both these surveys, which
20 means that I think they've learned some things from
21 the first one.

22 So from that perspective, yes. I think
23 perhaps others might -- on the panel might have
24 additional opinions on other material that they're
25 more carefully acquainted with.

1 DR. JERRY BUCKLAND: I don't know of
2 other current data, but I do know that the Financial
3 Consumer Agency of Canada is currently undertaking a
4 national survey looking specifically at payday loan
5 clients. It -- the data's not available yet.
6 Apparently, in the next month or two (2), it's
7 supposed to be available, but that's all I know about
8 it.

9 DR. CHRIS ROBINSON: If I could just
10 comment. I mean, this is consistent with the
11 regulator data, which is, if you like, the best data
12 we have, but, of course, it's only for two (2)
13 provinces. This is consistent.

14 MS. KATHLEEN MCCANDLESS: Thank you.
15 With respect to the -- the bottom right panel of the -
16 - of the table, Manitoba's sample was a small sample,
17 thirty-three (33) of the seven hundred and forty (740)
18 respondents for the 2012 survey, yes?

19 DR. WAYNE SIMPSON: Yes, about one
20 tenth (1/10) of all payday lenders, which is actually
21 more than -- than the -- than you'd expect from a
22 population, but, yes, it's a small sample.

23 MS. KATHLEEN MCCANDLESS: I understand
24 your evidence that the number of the sample is not
25 repre -- would not be representative, then, or -- or

1 as reliable as the --

2 DR. WAYNE SIMPSON: It's -- it's
3 representative. But because it's very small, you
4 know, statistical reliability relies on two (2)
5 things. One (1) is -- is a -- a representative
6 sample, and two (2) is numbers. And -- and the
7 numbers here are small, especially if you start
8 cutting that up.

9 So if you start asking questions about
10 the subsamples of the thirty-three (33), you've got
11 even stro -- smaller numbers. And, you know, the --
12 the rough rule of thirty (30) suggests that -- that
13 you're -- you're not going to get much more out of
14 that than the -- than you get out of the general
15 impressions that we've tried to draw.

16 MS. KATHLEEN MCCANDLESS: Thank you.
17 Diana, if you could please pull up Tab 4 of the
18 Coalition's prefiled evidence, page 2?

19

20 (BRIEF PAUSE)

21

22 MS. KATHLEEN MCCANDLESS: And I
23 understand this to be the summary of -- of results
24 after having looked at the 2009 and 2014 CFCS surveys.
25 If we could scroll to the second bullet from the

1 bottom it says:

2 "Households receiving social
3 assistance increased their use of
4 payday loans between 2009 and 2014.
5 In CFCS 2014, 48 percent of those
6 taking out three (3) or more -- more
7 loans annually relied on social
8 assistance or retirement income."

9 Just for clarification purposes, when
10 we speak of 'social assistance' what are those
11 payments?

12 DR. WAYNE SIMPSON: Those are
13 specifically in Manitoba the Employ -- welfare
14 cheques. That is to say Employment and -- what --
15 what is ours -- Employment and Income Assistance, EIA,
16 in Manitoba. Other provinces have different names.
17 The generic term taken from the US is welfare.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 And then if, Diana, we could jump ahead to page 19 of
20 the same document.

21

22 (BRIEF PAUSE)

23

24 MS. KATHLEEN MCCANDLESS: As I
25 understand it and, Diana, perhaps we could put -- fit

1 both tables in the same screen shot? I'm not sure if
2 that's possible. Thank you.

3 Am I correct in understanding that this
4 -- this is the figure that corresponds with that
5 finding? Specifically the comparison at the top is
6 2009 and the bottom would be 2014?

7 DR. WAYNE SIMPSON: Yes.

8 MS. KATHLEEN MCCANDLESS: Okay.

9 DR. WAYNE SIMPSON: I see -- I see
10 where my -- okay, go ahead.

11 MS. KATHLEEN MCCANDLESS: Oh, please,
12 go ahead.

13 DR. WAYNE SIMPSON: No, go ahead.

14 MS. KATHLEEN MCCANDLESS: My question
15 is: With respect to the increase in the use of social
16 assistance recipients taking out payday loans,
17 generally are there any particular concerns with this
18 development? And that may be a question for the panel
19 generally.

20 DR. WAYNE SIMPSON: Well, that -- that
21 is a question for the panel. I mean, to some extent
22 from an economist standpoint, you know, the -- the
23 famous quote from Herbert Simon, who is a Nobel prize
24 winner, was, "a dollar is a dollar is a dollar."

25 And from this standpoint, a cheque is a

1 cheque is a cheque. And these cheques are as good
2 collateral in many respects as -- as any employment
3 cheque. Maybe better. I -- I think the concern, and
4 here I'm -- I'm straying into, you know, guess work is
5 that these -- this kind of income is -- is relatively
6 meagre, and so it reflects the fact that you're
7 dealing with a relatively low income disadvantaged
8 population.

9 DR. CHRIS ROBINSON: If I could
10 comment on that from the -- from the point --
11 viewpoint of a professional financial planner. The
12 difference between welfare payments and pension
13 cheques, as well, and employment income is that you
14 can't work harder to get your pension to increase once
15 you've started it.

16 But you can work harder, go out get a
17 second job, et cetera, so that quite aside from any
18 concern about, you know, that somebody on welfare is
19 poor the reality is they can't change that. That's
20 why they're on -- why they're in this situation.

21 So as financial planners we're always
22 concerned when we see that because one of our -- you
23 know, one of our things is that well, you can always
24 change while you're employed. Once you're not
25 employed, you can't change your circumstances very

1 much. So these people get into a debt trap, and they
2 can't get out.

3 DR. JERRY BUCKLAND: If I could jump
4 in, as well. I think that it does question maybe how
5 we've characterized the payday loan industry, and it
6 think the -- the quote that I mentioned in my
7 presentation from Elliehausen and Lawrence about the -
8 - the repeat loan issue as presenting a problem
9 regarding how payday lending is presented as a -- sort
10 of a one (1) time small sum short-term loan.

11 And I think if more and more unemployed
12 people are taking out a payday loan, once again it
13 suggests the -- the basic concept of the payday loan
14 really is -- is no longer holding. It doesn't seem
15 like a payday loan, if that's the case, and it doesn't
16 seem like it's a one (1) time short-term small sum
17 loan. It starts to become something quite different.

18 MS. ZOE ST. AUBIN: And also, if you
19 look at the qualitative data in the report, the
20 participants actually explain that repeat cycle,
21 particularly -- exactly like that in terms of just
22 trying to get by, and that it is -- it does become a
23 habitual practice.

24 MS. KATHLEEN MCCANDLESS: Thank you.
25 With respect to the increase in the number of people

1 who are recipients of CPP, between 2009 and 2014, am I
2 to understand it correctly that that may be attributed
3 generally -- generally to the aging population, or
4 could there be other contributing factors that you're
5 aware of?

6 DR. WAYNE SIMPSON: I think you're
7 right that the -- we found that the -- the older age
8 group, fifty-five (55) to sixty-four (64), was now
9 more likely to take out a payday loan than for example
10 the eighteen (18) to twenty-four (24) years old, which
11 we didn't find in 2009.

12 And consistent with that would be that
13 some of those people between fifty-five (55) and
14 sixty-four (64) would be relying on pension income.

15 And while it wouldn't be reflected in
16 the 2014 figures, I think it will be reflected in the
17 future, the fact that of course you can now draw your
18 CPP while you're still working. And so that may
19 become a basis for this kind of borrowing in the
20 future to a greater extent.

21 MS. KATHLEEN MCCANDLESS: Thank you.
22 Pardon me. Diana, if we could jump back to the
23 summary of findings at page 2 of this document, and to
24 the very last bullet.

25 There's also a finding that the

1 proportion of borrowers who have a post-secondary or
2 university degree has increased, and that indicates
3 increased penetration of payday lending into higher
4 education groups who generally have greater access to
5 mainstream financial services.

6 I -- I'm just curious as to whether the
7 panel or you in particular, Mr. Simpson, can shed any
8 light into -- or to explain that trend.

9 DR. WAYNE SIMPSON: No. I think it's
10 consistent with what you've heard from some of the
11 payday lending industry to the effect that some of
12 their clients are professional people and skilled
13 tradesmen and so on. And with that will be education
14 beyond a high school level.

15 And as I said when I presented, this
16 may reflect, you know, the growing -- or the declining
17 proportion of people who have high school education or
18 less, which is another feature of the population.

19 I -- I don't know what we can say
20 beyond that except that it -- it is -- it is perhaps
21 new -- a new part of the payday loan industry, newer
22 part.

23 MS. KATHLEEN MCCANDLESS: Thank you.
24 Diana, please jump ahead to page 17. And if we could
25 fit both figures in the screen shot, that would be

1 appreciated. Thank you.

2 So as -- as I understand, these -- this
3 -- these tables, Figure 3 shows us that the proportion
4 of borrowers in the lowest financial asset category --
5 so that's less than one hundred thousand dollars
6 (\$100,000) -- is 41.16 percent compared to twenty-six
7 point one (26.1) for non-borrowers.

8 Is that right?

9 DR. WAYNE SIMPSON: That's correct.

10 MS. KATHLEEN MCCANDLESS: Right. And
11 so when we're speaking of financial assets,
12 specifically what are we talking about?

13 DR. WAYNE SIMPSON: Financial assets -
14 - now you're testing my memory of what -- I believe it
15 -- I believe it's in the paper, but we would be
16 looking at essentially all the elements that go into
17 an assessment of net worth on the positive side.

18 That is to say, not only, you know,
19 cash on hand and in accounts, but also the value of
20 home and other properties, the value of assets like
21 vehicles, the value of -- and then there's a
22 distinction there about valuation of the pension and
23 other savings, but particularly pension savings.

24 Oh, I can read it out. Thank you.

25 That's even better:

1 "Financial assets. Cash savings
2 from savings and chequing accounts,
3 investments, stocks, bonds, term
4 deposits, GICs, non-RRSP mutual
5 funds, registered disability savings
6 plans, tax-free savings plans, and
7 private pensions."

8 Okay. So I've confused it with
9 tangible assets to some degree because it doesn't
10 include the valuation of -- of houses or property.

11 MS. KATHLEEN MCCANDLESS: Okay. And
12 to be fair to you, I believe I -- I misspoke when I
13 said Figure 3 was with respect to financial. Figure 4
14 is financial and Figure 3 is tangible assets. And so
15 I think we've --

16 DR. WAYNE SIMPSON: Do you want me to
17 read out the tangible assets definition?

18 MS. KATHLEEN MCCANDLESS: No, thank
19 you.

20 DR. WAYNE SIMPSON: Anyway, it's --
21 it's pag -- it's page 6 of the -- of the report, at
22 footnote 4. Thank you.

23 MS. KATHLEEN MCCANDLESS: Now, in
24 Figure 4 we see that 24.66 percent of the lender
25 sample are in the highest financial asset category.

1 That's one hundred thousand dollars (\$100,000) and
2 over?

3 DR. WAYNE SIMPSON: Right.

4 MS. KATHLEEN MCCANDLESS: Okay. And
5 is there anything that we can extrapolate or
6 understand from this statistic here?

7 DR. WAYNE SIMPSON: Well, it -- it
8 occurs to me now and -- and perhaps it would have been
9 better to have occurred to me earlier in doing this,
10 that a hundred thousand dollars (\$100,000) in assets
11 is not all that much. And so there obviously are
12 people, and we've described some of those people in
13 terms of education and so on who would quite likely
14 have those levels of assets matched by corresponding
15 high levels of debt.

16 So I don't know if I read so much into
17 that. If you look at the tangible assets on Figure 3,
18 the -- the upper category is a much higher cutoff at
19 five hundred thousand (500,000) and there you don't
20 see that -- that large spike amongst the payday loan
21 samples.

22 So that might have been a better cutoff
23 in retrospect than cutting it off at a hundred
24 thousand (100,000). And I'd have to speak, I think
25 with Khan about why he specifically did that. He

1 probably has a good reason, but I -- I don't honestly
2 know what it is right now. I didn't pick up on that.

3 MS. KATHLEEN MCCANDLESS: Now, if we
4 jump ahead to Figure 6, which should be at page 18, I
5 believe, yeah, the -- the bottom figure here is total
6 liabilities --

7 DR. WAYNE SIMPSON: Right.

8 MS. KATHLEEN MCCANDLESS: --
9 distribution. And if we look to the far right, the
10 total liabilities of two hundred and fifty thousand
11 dollars (\$250,000) or more is a -- a relatively small
12 sample of the payday lending popul -- or borrowing
13 population, yes?

14 DR. WAYNE SIMPSON: They don't own
15 homes and they don't -- and a lot of them don't have
16 credit cards, so their -- their liability sources are
17 relatively small, yes.

18 MS. KATHLEEN MCCANDLESS: So with
19 respect to the -- the liabilities of two hundred and
20 fifty thousand dollars (\$250,000) or more, that would
21 likely take into account a large mortgage liability.
22 And that would explain --

23 DR. WAYNE SIMPSON: Typically, yes.
24 And this would be both age and income related, yeah.
25 And remember, the payday loan borrowers are older and

1 the one -- so the ones that do have homes probably
2 have been paying those for a while.

3 MS. KATHLEEN MCCANDLESS: Thank you.
4 Diana, can we please go to page 14. And the -- the
5 bottom paragraph of this page that's on the screen
6 here, you indicate that:

7 "Higher levels of education are
8 associated with lower frequency of
9 payday loan use. Households in the
10 second quartile of the income
11 distribution generally borrow more
12 frequently than those in the first
13 quartile, but households in the
14 third, fourth, and fifth quartiles
15 use payday loan services less
16 frequently than households in the
17 first quartile. A relationship that
18 is similar to that found in CFCS
19 2009."

20 DR. WAYNE SIMPSON: Right.

21 MS. KATHLEEN MCCANDLESS: Am I correct
22 that that would correspond with the data in Figure 11,
23 which would be at page 21? And this is household
24 income and frequency of -- of borrowing.

25 DR. WAYNE SIMPSON: Yes, I think so,

1 yes.

2 MS. KATHLEEN MCCANDLESS: Okay. And
3 so if -- if I'm to understand Figure 11 correctly, it
4 seems to me that the proportion of households with the
5 highest frequency of borrowing would be those in the
6 range of the thirty-two thousand (32,000) to fifty-
7 four thousand nine hundred and ninety-nine dollar
8 (\$54,999) range?

9 DR. WAYNE SIMPSON: That -- that's the
10 group, yes, in an earlier figure. That's the group
11 that -- where the payday loans are -- borrowers are
12 most concentrated, that and -- and the third quintile,
13 that's right.

14 MS. KATHLEEN MCCANDLESS: And when we
15 look to the far right of the -- of Figure 11 it seems
16 that the household in the highest income group has the
17 -- they're least likely to borrow three (3) times or
18 more in a year, yes?

19 DR. WAYNE SIMPSON: That's right.

20 MS. KATHLEEN MCCANDLESS: And perhaps
21 --

22 DR. WAYNE SIMPSON: And I don't think
23 that's surprising. That's not where the repeat loan
24 problems lie.

25 MS. KATHLEEN MCCANDLESS: Right. And

1 if I'm to understand the evidence from the panel
2 generally, would that -- would that tie in with the
3 evidence we've heard about, perhaps the borrowers who
4 borrow from payday lenders in a more strategic
5 fashion?

6 And that may be a question for Mr.
7 Buckland -- Dr. Buckland as well.

8 DR. JERRY BUCKLAND: Yeah, I think
9 this is actually -- I wish I had included some
10 discussion of this in my presentation. Thank you for
11 refreshing my memory on this diagram.

12 And it does -- it does go to some of
13 the things that we've discussing in terms of how we
14 deal with the repeat loan problem. And it does appear
15 that some people use the payday lending services
16 strategically and don't get into the kinds of problems
17 -- and they are probably more predominantly in this
18 group than in the lower income groups, yeah.

19 DR. JERRY BUCKLAND: Yeah, I would con
20 -- concur with Dr. Simpson.

21 MS. KATHLEEN MCCANDLESS: Thank you.
22 Now, Diana, if we could please move to Tab 5 of the
23 Coalition's pre-filed evidence, page 6 of that
24 document. And, Dr. Simpson, this is your report based
25 on the data available in the survey of financial

1 security.

2 DR. WAYNE SIMPSON: Okay.

3 MS. KATHLEEN MCCANDLESS: At page 6,
4 the middle paragraph of that document, I believe it's
5 -- sorry, just at the top of the page there:

6 "The average amount of government
7 transfers increased from six
8 thousand nine hundred and thirty-
9 eight dollars (\$6,938) and to nine
10 thousand eight hundred and forty-
11 seven dollars (\$9,847) for payday
12 loan users between 2005 and 2012."

13 That's compared to an increase of 37.8
14 percent for nonusers.

15 DR. WAYNE SIMPSON: Right. Yes.

16 MS. KATHLEEN MCCANDLESS: And then
17 there's some evidence there about Manitoba payday loan
18 users receiving an average of seven thousand four
19 hundred and sixty-seven dollars (\$7,467) in government
20 transfers, yes?

21 DR. WAYNE SIMPSON: Yes.

22 MS. KATHLEEN MCCANDLESS: Okay. With
23 respect to the -- the last sentence there of -- of the
24 second paragraph then:

25 "The lower amount of government

1 transfers received by payday loan
2 borrowers in Manitoba might also
3 reflect a stronger financial
4 position, although it may also
5 reflect lower social assistance
6 rates compared to the rest of
7 Canada."

8 Essentially, can we -- can we draw any
9 conclusion as a result of this finding as to whether
10 generally Manitoba households using payday loans are
11 in a stronger financial position than the rest of
12 Canada or can we not come to any conclusions on that?

13 DR. WAYNE SIMPSON: Well, this is
14 specifically referring to social assistance. What we
15 -- what we know is that -- that the social assistant
16 (sic) rates in Manitoba are low relative to other
17 provinces, particularly east -- west of Ottawa.

18 Case loads, I'm not so sure. We
19 probably have a higher case load as a percentage of
20 the population than the average in Canada. So whether
21 it reflects a stronger financial position, I -- I
22 guess that refers to the fact that Manitobans might be
23 less likely to be on unemployment ins -- employment
24 income assistance.

25 But it's difficult to make a specific

1 statement. I think that's pretty -- that's a pretty
2 speculative statement that -- I'm not sure if the
3 attribution is to Khan or myself, but I -- I've left
4 it in there. But I don't feel very strongly we can
5 say much -- much more than what the data tells us,
6 which is Manitoba rates are low. And that's
7 consistent with what we know about the social
8 assistance rates in Manitoba relative to Ontario and -
9 - and provinces to the west of us.

10 MS. KATHLEEN MCCANDLESS: Thank you.
11 And if I'm to understand, you spoke yesterday about
12 the data seeming to show that, controlling for all
13 other factors, that Manitoba households -- or Manitoba
14 individuals are more likely to take out a payday loan
15 than households in the rest of Canada.

16 Was that right?

17 DR. WAYNE SIMPSON: Yes, and this
18 could be a factor. That is to say it could be related
19 to the size of social assistance payments since we see
20 social assistance receipt as a growing portion of the
21 repeat lending business, yeah.

22 MS. KATHLEEN MCCANDLESS: But we don't
23 have any specific data or analysis on that question?

24 DR. WAYNE SIMPSON: We haven't probed
25 that -- that question and probably couldn't with the

1 data we have. But the evidence is consistent with
2 that -- that kind of hypothesis but not a strong way
3 of confirming it.

4 MS. KATHLEEN MCCANDLESS: Thank you.
5 Ms. St. Aubin, I'm going to turn to you for some
6 questions on your study.

7 MS. ZOE ST. AUBIN: Okay.

8 MS. KATHLEEN MCCANDLESS: Diana, could
9 you please pull up CFC -- or pardon me, Coalition pre-
10 filed evidence, Tab 6(a), page 1?

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS: Just to
15 review the methodology that you employed in recruiting
16 participants for the study, I won't read through all
17 of it, but generally was printed newspaper ads,
18 posters, flyers, Facebook targeted ads, those types of
19 things.

20 And you do note that the participants
21 are a non-representative sample, yes?

22 MS. ZOE ST. AUBIN: That's correct.

23 MS. KATHLEEN MCCANDLESS: And as
24 perhaps you could just explain, or speak generally
25 what the implications of the fact that it's a non-

1 representative sample are to the findings in the
2 study?

3 MS. ZOE ST. AUBIN: Okay. When a
4 sample is non-representative, what that means is you
5 can't over generalize the findings to the wider
6 population regardless of what -- what study you're
7 performing.

8 MS. KATHLEEN MCCANDLESS: Okay. And
9 with respect to the method of participant recruitment,
10 if we could jump to page 3 of the study?

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS: Again
15 newspaper ads, posters, flyers, that type of thing, is
16 there anything in that type of recruitment that
17 affects who -- what your sample is?

18 MS. ZOE ST. AUBIN: In terms of
19 posting in the public, it's known as availability
20 sampling. So whoever is available to -- and who -- to
21 do the -- meet the requirements that we're looking for
22 payday loan borrowers within the past twelve (12)
23 months. They can then click on -- there was a link.
24 They could then click on that survey to complete -- on
25 that link to complete the survey.

1 In terms of the in-person data
2 collection participant recruitment, research
3 assistants would ask -- again it's the same approach.
4 That we are looking for participants who took out a
5 loan -- payday loan in the last twelve (12) months.

6 And if they did -- if they disclosed --
7 disclosed to the research assistant that they did take
8 out a payday loan in the last twelve (12) months, they
9 were then asked, "Would you like to complete the
10 survey?" If they agreed, then we went along with it.

11 DR. JERRY BUCKLAND: If -- if I could
12 just add another point, and it goes back to the
13 presentation we made yesterday. And that is that one
14 of the important ways used in a mixed methodological
15 approach to enhance validity and reliability is
16 through triangulation.

17 So, in fact, with the field research we
18 undertook three (3) different methods; the
19 questionnaire, the interview, the focus group which we
20 did twice. And also then we have additional methods
21 that Dr. Simpson and Dr. Robinson did.

22 And what we look then is at the
23 question of, Is the -- are the results consistent
24 across methods? And where there's inconsistency then
25 we -- we would need to do more research to try to

1 unravel, or understand that inconsistency.

2 MS. KATHLEEN MCCANDLESS: Okay. With
3 respect to the -- the types of -- or the population
4 that may respond to these recruitment efforts, is
5 there -- are you aware of any segment of the
6 population that may not get captured by these types of
7 efforts? Are there -- is there any information we have
8 as to people who would not respond to these types of
9 efforts?

10 MS. ZOE ST. AUBIN: Participating in
11 the survey was voluntary, and even the wide spectrum
12 of education levels, of income levels that was
13 captured in the survey, so -- and again we went to
14 different areas in Winnipeg, so we didn't concentrate
15 on just specific geographic regions in Winnipeg. I
16 would say that we made the best efforts to engage with
17 the widest population possible of Payday Loan
18 borrowers.

19 MR. JOHN BOULANGER: If -- if I could
20 also add. One of the challenges we did find in terms
21 of the in-person interviews was that in some cases
22 people were -- were in a hurry, and they didn't want
23 to stop and do the interview.

24 Now, is that a systematic bias? I
25 don't think so. I mean, are -- you know, are busier

1 people somehow from a particular group that we've
2 missed, I -- I don't think there's a systematic bias
3 there but that was one of the things that we -- we
4 chal -- we were challenged with.

5 MS. KATHLEEN MCCANDLESS: Thank you.
6 Diana, if you could, please, pull up CAC Exhibit
7 number 35, page 8?

8

9 (BRIEF PAUSE)

10

11 MS. KATHLEEN MCCANDLESS: And --
12 pardon me -- referring to the table on the right-hand
13 side of this slide, I understand these -- these are
14 the answers that survey respondents gave as to the
15 reasons that they repeatedly use payday loans. Is
16 that right?

17 MS. ZOE ST. AUBIN: That's right.

18 MS. KATHLEEN MCCANDLESS: Okay. Could
19 you just explain the difference between experienced
20 unexpected expenses and emergency?

21 MS. ZOE ST. AUBIN: Experienced
22 unexpected expenses would be something like their
23 bills were higher than they anticipated. An emergency
24 would be in terms of -- in terms of having to -- a
25 last-minute sort of thing that they had to quickly go

1 to the payday loan borrowers -- or lenders, sorry.

2 MS. KATHLEEN MCCANDLESS: Okay. In
3 any of the surveys or focus groups or interviews, were
4 the respondents asked whether the -- the rate or the
5 price of a payday loan was a factor in their selection
6 of payday loan?

7 MS. ZOE ST. AUBIN: I'm sorry, can you
8 repeat that?

9 MS. KATHLEEN MCCANDLESS: Were they --
10 were any of them asked as to whether the -- the rate
11 that they pay to borrow the money was a factor or
12 helped them decide whether or not to use a payday
13 loan?

14 MS. ZOE ST. AUBIN: In the interviews,
15 because they were semi-structured, if they had -- we --
16 - we asked if they were -- what they paid for an
17 interest rate. And that's where we discovered they
18 talk in -- in dollars rather than percentages.

19 And from there, when asked, Why do you
20 go back and -- and repeat?, the percentage rate came
21 up with a few interview participants when they were
22 talking about NSF charges to their -- in comparison
23 again to mainstream banks. So -- but predominantly,
24 when it came to the answer of the participants, the
25 rates was not commonly mentioned.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 With respect to the -- the chart on the left-hand side
3 of this, and we see the frequency of loans taken out
4 within the last twelve (12) months.

5 And perhaps this may be a question
6 again for the panel generally, but those percentages,
7 are those consistent with the other data that you have
8 seen regarding repeat use of payday loans?

9 DR. JERRY BUCKLAND: Well, we don't
10 actually have, as Dr. Simpson presented, the data from
11 the CFCS and SFS. We don't have very good data on the
12 repeat borrower issue.

13 And so he talked about the right-hand
14 tail, that we just don't have national-level data
15 about that. And so I think -- I mean, again, I would
16 have to go to Ms. St. Aubin's point about how -- the
17 representativeness or not of this sample.

18 It seems to me it's something that more
19 data needs to be collected. We need good quality,
20 nationally representative data. This is I think a
21 useful indicator, but I would -- yeah, I would leave
22 it at that.

23 DR. CHRIS ROBINSON: I can comment.
24 This is entirely con -- this is entirely consistent
25 with the British Columbia data, and Nova Scotia data

1 is a little hard to interpret. It appears to be
2 entirely consistent.

3 I could calculate for you a reasonable
4 weighted average that will show you, but you're going
5 to find, even without doing that, that 90 percent or
6 more are repeat borrowers, 90 percent of the loans are
7 to repeat borrowers.

8 It's -- this is consistent with British
9 Columbia, and that of course is the entire province.
10 That is, it's not a sample.

11 MS. KATHLEEN MCCANDLESS: Thank you.
12 If we could go ahead to pay -- page 18 of this
13 document. This is with respect to the borrower's
14 knowledge of the product. The table on the right-hand
15 side was survey respondents' knowledge of annual
16 interest rates. Yes.

17 So this -- this was different than the
18 APR, if I'm to understand correctly?

19 MS. ZOE ST. AUBIN: It's -- it's also
20 known as the annual percentage --

21 MS. KATHLEEN MCCANDLESS: Okay.

22 MS. ZOE ST. AUBIN: -- rates. But
23 again, accommodating for -- because the language that
24 the consumers use is different than financial advisors
25 would use.

1 MS. KATHLEEN MCCANDLESS: So if -- if
2 I'm to understand the table on the right then, the
3 majority obviously of the respondents did not know
4 what the APR was on their payday loan? Yes?

5 MS. ZOE ST. AUBIN: Sorry, I'm going
6 to need you to repeat that.

7 MS. KATHLEEN MCCANDLESS: Okay. They
8 -- the majority of the respondents did not know what -
9 - what interest rate they were paying on an APR basis
10 on their loan?

11 MS. ZOE ST. AUBIN: That's correct.

12 MS. KATHLEEN MCCANDLESS: With respect
13 to the -- the percentages given there, were those
14 numbers that they came up with themselves, or were
15 they offered those numbers to select?

16 MS. ZOE ST. AUBIN: A survey is a -- a
17 closed -- a closed interview, if you will. So those
18 were offered to the survey and then they would select
19 which one (1) they thought.

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 Again, mindful of the time, and I'm aware of Mr.
22 Gosselin's question with respect to the
23 recommendations made by the CPLA. It was actually in
24 my notes as well, so perhaps while we have the entire
25 panel here it may be a good time to address that

1 question.

2 MR. REGIS GOSSELIN: Before we go
3 there, I have some other questions and I want to make
4 sure I -- I get them in before -- before people have
5 to leave. So I guess the first question I wanted to
6 make sure that we address is the cooling off period.

7 And -- and a question to -- to Dr.
8 Robinson and Ms. St. Aubin. Could you -- Ms. St.
9 Aubin, could you comment on any feedback you might
10 have received from the people that were surveyed
11 regarding a cooling off period, the seven (7) day
12 cooling off period?

13 MS. ZOE ST. AUBIN: So that was
14 discussed in the focus groups and the feedback from
15 the focus group participants, they were weary of the
16 cooling off period. If you look at the -- the latter
17 part of my report, there are some quotes taken that
18 show that they were in need -- how would that help
19 them if they were in need right now.

20 So they were a little weary of the
21 cooling off period. However, there was one (1)
22 respondent who saw it in favour, again, to help
23 address repeat borrowing specifically in -- in his
24 opinion.

25 MR. REGIS GOSSELIN: Would anybody

1 else like to comment on that -- on that cooling off
2 period? It's seven (7) days and I'm not sure where
3 that seven (7) days came from, but we did hear
4 evidence from a user saying that, you know, that
5 forces people to go to another lender.

6 So could you comment?

7 DR. CHRIS ROBINSON: That was actually
8 the evidence from the industry that it was causing
9 them a lot of problem. You may recall, I was sitting
10 behind her. It was either Cash Money or Money Tree
11 that we watched them go across the street to somebody
12 else because we have to wait. And she said it had to
13 be until the eighth day because you can't count the
14 day that they actually pay the loan back.

15 The effect -- and I -- the effect is
16 that although we talk about payday loans, that you
17 could repeat it every two (2) weeks sort of thing,
18 like ever new payday, in fact, you can't. You pay off
19 on payday, so now you can't do it until the eighth day
20 after.

21 On the other hand, if you are in such
22 need, I mean, this is just basic person finance, if
23 you are only seven (7) days or less into your next pay
24 period, you already are unable to meet your bills, we
25 have a problem that is not caused by the payday

1 lending industry and it is not resolved by payday
2 loans.

3 I mean, it is -- just think about it,
4 that -- you know, two (2) days after you got paid
5 you've got no money left. I mean, this is a huge
6 problem. And it is neither the fault of the payday
7 lending industry nor is it something that a payday
8 loan resolves. It will actually make it worse.

9 MS. ZOE ST. AUBIN: And if I could
10 just quickly add, sorry, in terms of the cooling off
11 period, I thought we were talking about a larger
12 amount. But, yeah, the participants in both interview
13 and focus groups did say that they experienced a seven
14 (7) week -- or sorry, seven (7) day waiting period and
15 that that was already in effect and they seemed to be
16 okay with that.

17 DR. JERRY BUCKLAND: If I could also
18 add, the literature from the US seems to find that
19 various ways that regulators seek to limit the amount
20 that people borrow ultimately are constrained, because
21 generally speaking, payday loans are not centrally
22 regulated. There isn't a credit bureau.

23 And so one (1) payday lender can't
24 check with another payday lender as to whether or not
25 the person has a loan. And so I'm not arguing against

1 the seven (7) day cooling off period, but just to say
2 that there is a limitation of that regulation because
3 of the fact that you can go to a different payday
4 lender.

5 So how can regulation be created?
6 Because I do think that there is sort of rational
7 expectations going on here. If a person in a
8 financial struggle is looking for options to get out
9 of that struggle and that person knows, okay, this is
10 how this product works, then they will use that
11 product based on how it works and not necessarily how
12 the regulator or the academic thinks it works but how
13 it actually works on the street.

14 And so if the signal to that person is,
15 Okay, here are the limitations, you have to reorganize
16 your finances because you can't go back for seven (7)
17 days, or you can't go to -- to another payday lender,
18 then I think people will make those adjustments.

19 And I think the results from the Pew
20 study support that, that in states in the US that are
21 more restrictive, people make different decisions.
22 They spend less, they borrow from friends and family,
23 et cetera. So I think that it -- it's tough to make
24 rules that work on the street, but I think you can
25 make -- you can do it to have a certain effect. And

1 those are going to affect, then, consumers' behaviour,
2 which hopefully will lead them to make better
3 decisions.

4 MR. REGIS GOSSELIN: The other area I
5 would like to explore with you briefly is the cap, 30
6 percent. And -- and I -- I think I heard Dr. Robinson
7 -- maybe you can correct me if I'm wrong, but I did --
8 you did seem to suggest that perhaps that could be
9 increased.

10 Could -- could you comment on that,
11 please?

12 DR. CHRIS ROBINSON: One (1) of the
13 reasons for me giving you Tab 37 was because I
14 actually wrote out the caps from the US, so you can
15 see what they're doing. And not universally, but very
16 commonly, they have a -- a hard cap, five hundred
17 dollars (\$500).

18 A few of them have a lesser of some
19 percent of income. They always do gross income. I
20 have no idea how they know what your gross income is
21 unless -- because you can't get it from bank
22 statements. Maybe they're taking pay stubs.

23 But we have a 30 percent cap on net
24 income, okay, which is after all deductions, which, if
25 you're paying Canada Pension Plan, if you've got a

1 pension plan, et cetera, can be actually quite -- and
2 taxes, of course, can be a relatively small amount,
3 and these are low-income people.

4 And now the problem with raising the
5 cap is that then people really get debt trapped if
6 they are not responsible about their borrowing. And
7 that's why my recommendation is that it's the bullet
8 repayment that's the problem and the installment
9 combined with a higher limit. So, yes, I would be
10 happy to see a higher limit, but only if there was an
11 installment plan option involved.

12 By the way, there are several US states
13 that have registries. Washington and Florida are two
14 (2) of them. The young lady from Policis didn't
15 mention that about Florida, so that they actually can
16 say you can only borrow so much and enforce it, or at
17 least to the extent the datas could.

18 And they frequent -- some of those
19 states have an additional charge, and you'll see it in
20 my table -- Tab 37. They -- you know, an extra one
21 dollar (\$1) for database fee, and that's what that is.
22 So some of the US states are experimenting with it.
23 It would be -- I have no further evidence on that.
24 It'd be interesting to see what they say as to how it
25 works, but it's a lot of work to find that out.

1

2

(BRIEF PAUSE)

3

4

MS. ANITA NEVILLE: Is there any
5 evidence to show that increasing the cap reduces
6 repeat borrowers?

7

DR. CHRIS ROBINSON: We have no idea
8 about that. We can only infer what they might do.
9 Oh, I'm sorry. The evidence from Washington and
10 Colorado, is going to the installment loans, has
11 reduced repeat borrowing. In other words, they borrow
12 once and don't borrow again. But as to the cap, they
13 didn't change their caps. It's still five hundred
14 dollars (\$500) for each of Washington and Colorado.

15

So, I mean, you could borrow quite a
16 bit more if you had a high enough pay level in
17 Manitoba, because we're using a soft -- you know, a --
18 a relative cap, but -- if you had enough income.

19

No, we don't -- we can't -- we can't
20 say that. We can only infer what we think might
21 happen.

22

23

(BRIEF PAUSE)

24

25

THE PANEL CHAIRPERSON: That's the

1 question from the panel at this time.

2

3 CONTINUED BY MS. KATHLEEN MCCANDLESS:

4 MS. KATHLEEN MCCANDLESS: Okay. We do
5 have a few more minutes. And so my question did
6 actually follow on Board member Gosselin's question
7 before I commenced my cross-examination. And while
8 the full panel is here, I'd be curious if, Diana, you
9 could pull up CPLA Exhibit number 12? And these are
10 the seven (7) suggested initiatives from the CPLA to
11 the Payday Lending and Financial Inclusion Task Force.

12 I -- I'm curious as to the panel's
13 comments on -- on any of these options, and
14 particularly with respect to the Optional Extended
15 Payment Plan, and number 4, the Job Loss Extension
16 Program?

17 DR. CHRIS ROBINSON: I am looking at -
18 - at my wise counsel over there. He's looking
19 everywhere else to see who I'm talking about. I'm
20 wondering if we can do this as a written undertaking?

21 I'm -- I'm -- you know me, I'm prepared
22 to jump in at any point, even if I don't know what I'm
23 doing. But -- and I do have opinions about all of
24 these. But I think it might -- we might do a better
25 job if all four (4) of us were to respond, and I

1 certainly can safely say that some of these are --
2 there's some very good ideas here.

3 MR. BYRON WILLIAMS: We're certainly
4 prepared to do that in writing. There are some time
5 challenges, which -- but if -- if Dr. Buckland had
6 just some preliminary thoughts, and then -- or -- but,
7 you know, they're certainly welcome, and if they feel
8 the need to -- to add something. We want to be
9 helpful if we can right now, and...

10 DR. JERRY BUCKLAND: Sure. Well, I --
11 I think on point number one (1), optional extended
12 payment plan, it -- yeah. Intuitively, it sounds
13 helpful. It sounds like it could address the
14 challenges that the repeat borrower is facing, and it
15 is consistent with one (1) of the two (2) options that
16 -- that the CFPB has in its initial proposal. And so
17 I take seriously the Optional Extended Payment Plan.

18 Of course, there's limitations --
19 there's pros and cons with any proposal. One (1) con
20 comes to mind, that it might complicate the kinds of
21 products that the payday lender is offering, and in
22 some cases, that might make it more difficult for
23 clients or more dif -- difficult for staff.

24 Another con would be that -- I mean, in
25 my ideal world, payday loan clients are getting their

1 business from mainstream financial institutions. And
2 the payday loan industry is brought into the
3 mainstream financial industry, so the staff and
4 managers of payday lenders are all brought into the
5 mainstream financial institution. The reason why
6 that, in my mind, is the ideal world is that that
7 would be the most equitable, I think, and arguably
8 efficient system.

9 What we have, I think, as a second-best
10 option where payday loan -- payday lenders are
11 providing services to a particular group of people,
12 and because of their high costs, as Dr. Robinson was
13 explaining, those people tend to, then, pay more for
14 those services. So -- but we live in the real world,
15 and so this isn't what I would say the ideal. It is a
16 good direction, I think, to go.

17 A further point would be that it would
18 be so helpful if the regulator would be able to
19 collect data on how this -- I mean, you now, if this
20 kind of thing was -- was accepted, it would be so
21 helpful to collect data to monitor how it's working,
22 because we all know that when you craft something in
23 your collective minds, it may not work out in
24 practice, because -- like, the street knowledge and
25 street practice might differ from how we

1 anticipate. So that would be a final point.

2 DR. CHRIS ROBINSON: I've already
3 spoken a lot about the Optional Extended Payment Plan.
4 Restrictions on discounts and promotions does not
5 occur in Manitoba, but I see it in Ontario all the
6 time, and I agree that should be. That would actually
7 lead to slightly more revenue for the -- for the
8 industry.

9 Standard form contract, you hope would
10 be a standard in all sorts of industries. You hope
11 that it would be something that wouldn't be too costly
12 to set up, and would then end up saving money and
13 trouble for everybody involved.

14 Job Loss Extension Program. If you
15 were looking very carefully at the -- at Ms. St.
16 Aubin's evidence, she wasn't getting much evidence
17 that that was why people -- it was probably one (1)
18 person who said, That's why I needed a payday loan, so
19 it won't be common. And it might be expensive for the
20 industry.

21 Restriction on default fees and
22 interest charged on loans in default. We have that
23 now. This -- especially if you go to an optional
24 payment plan which extended -- we have to be very
25 careful. I've been trying to think that one out,

1 because -- I mean, the payday lenders are then putting
2 their money -- or leaving their money at risk, not
3 putting it into collection, and you have to find a way
4 to balance that.

5 Colorado has, for example, very high
6 charges on those loans, especially if you pay off
7 early. You're still paying quite a lot of money, but
8 we do have to find a balance. Payday lenders cannot
9 be expected to suddenly have half the volume of loans
10 and be charging nothing for that extra six (6) months,
11 or whatever it might be.

12 Mandatory acceptance of settlement
13 plans proposed by credit counsellors. I don't have an
14 opinion. I mean, it sounds great. I'm not sure how
15 the industry would -- would view that. I've never
16 worked with a credit counsellor directly, although I
17 sometimes have them talk to my classes.

18 And mandatory referral to credit
19 counselling services, there is an old aphorism -- I'm
20 an old guy, so I think of these old aphorisms: You
21 can lead a horse to water, but you can't make it
22 drink.

23 Again, we cannot -- I mean, they're
24 doing -- I mean, they're doing -- I mean, the CPLA now
25 has in its regul -- in its principles, I believe,

1 that, you know, we refer -- you know, please refer to
2 counsellors. Many people do that, some don't.

3 I -- we don't have any evidence it
4 actually does any good, so we don't know that it would
5 help. And making it mandatory, it's another task that
6 you add to the job that they have to do. So if
7 they've got the literature and they've got the
8 referral, you can only do so much for people.

9 But I -- I must say, I -- I commend the
10 CPLA on presenting these alternatives and -- and
11 considering them. And I think it's -- it's very good
12 of them, and I do appreciate that. I wish I had paid
13 more attention to them earlier in presenting my own --
14 preparing my own evidence.

15 DR. JERRY BUCKLAND: If I could add
16 one (1) other thing --

17 MR. BYRON WILLIAMS: Dr. Buckland, we
18 -- we want you to add it. I just want to make sure
19 that Ms. St. Aubin, if she some -- some additional
20 commentary.

21 MS. ZOE ST. AUBIN: Thank you. Sorry.
22 Just one (1) thing I wanted to suggest, which I'm sure
23 the panel or -- or the Utilities Board will be doing.
24 When considering these suggestions, please take into
25 account, even though the participants in the report

1 are a non-represent -- representative sample, they are
2 regular payday loan users.

3 So in some of the focus group,
4 especially the alternative -- discussion about the
5 alternatives, some of the participants were -- have
6 been using payday loans for over fifteen (15) years.
7 These are people who understand the product.

8 And so when they speak of alternatives,
9 what would be suitable to them, what would make them,
10 you know, engage with payday loans a -- a little bit
11 different, it's in that section and in their quotes
12 particularly, I would suggest, to -- to give a --
13 another read when looking at these, please.

14 DR. JERRY BUCKLAND: And if I could
15 make reference to the credit counsellor and credit
16 counselling services references at the -- the point 6
17 and 7, I -- I just wonder if the financial literacy
18 piece could be crafted in such a way that it captures
19 the person's attention.

20 In other words, if I go -- if I'm a
21 payday loan customer and I go to a payday lender, and
22 there's a brochure or a poster about a credit
23 counsellor, I think I -- I might be inclined -- and
24 I'm just -- maybe I -- this is inappropriate to make
25 an assumption, but I might be inclined to ignore the

1 brochure or the poster.

2 I think what's more effective is if we
3 capture that person's attention in a -- a more
4 effective way. And I know that the Ontario Ministry
5 for Consumer Services has -- at least in the past,
6 because I have a copy of their -- their form -- they
7 require that the payday lender state the cost of the
8 payday loan, and then a comparative cost for a loan
9 from another credit source, for instance, a credit
10 card.

11 And this actually, I think, draws quite
12 closely from a -- a research project by Bertrand and
13 Morse that I refer to in my literature review, where
14 they find that there's certain ways that you can
15 provide information to consumers that's quite simple
16 and understandable.

17 And what Bertrand and Morse found was
18 that payday loan uptake declined by, I believe, 10 or
19 11 percent when they were presented with the
20 information this way as compared to another way.

21 So I -- I just wanted to make the
22 general comment that I -- I think financial literacy
23 is important. It can have an effect, but it needs to
24 be very carefully crafted, because people are busy and
25 they're not necessarily interested in an opportunity

1 to engage in a financial literacy process. But they
2 might be interested in some salient financial literacy
3 information.

4 MR. BYRON WILLIAMS: And if I could
5 just indicate if -- if the Board has any interest in
6 that document, we could certainly make it available
7 for -- to be copied if -- if the Board desires it.

8 THE PANEL CHAIRPERSON: Yes, please.
9 If we could have a copy of that, we'd appreciate that.

10 MR. BYRON WILLIAMS: So we'll
11 undertake to provide a -- a copy of the sample Ontario
12 literature that Dr. Buckland just referenced,
13 providing a -- a comparison between the costs of
14 payday loans and -- and credit cards.

15

16 --- UNDERTAKING NO. 2: The Coalition to provide
17 sample Ontario literature
18 comparing the costs of
19 payday loans and credit
20 cards

21

22 DR. WAYNE SIMPSON: Since I am
23 parting, may I offer a parting observation? I think a
24 -- a lot of progress was made towards informing people
25 about the nature of the loans they were getting into

1 at -- at previous hearings.

2 And I see, number 3, for example,
3 standard form contract and the credit counselling as -
4 - as extensions of that. That is to say, making --
5 you know, helping to make people aware of what the --
6 what the nature of the loan is. If a -- a standard
7 contract would help in terms of them going from one
8 (1) lender to another, they would see the same
9 information and probably understand it better over
10 time.

11 The credit counselling, I -- I think I
12 agree that this is something that -- that might help
13 some people who are receptive to the information
14 provided, and a lot of others might reject it, but I
15 think it's still, again, an extension of what the
16 regulations have tried to do.

17 And then in terms of -- the other
18 problem that I see again is this repeat loans
19 question. I think this Optional Extended Payment Plan
20 idea is -- is -- I agree with Dr. Robinson, that this
21 is a -- a productive area to consider.

22 MR. REGIS GOSSELIN: One (1) last
23 question. In relation to the data reporting
24 obligations of payday lenders, could you point us to a
25 particular state that has a -- the -- the best model

1 for data reporting?

2 DR. CHRIS ROBINSON: Well, actually, I
3 had -- I was trying to design a set of recommendations
4 with respect to that. I do have two (2)
5 recommendations. One (1) -- but I think you should
6 try to operate through the Consumer Measures
7 Committee. Does it still exist?

8 I mean, they're the ones I reported to
9 before that's interprovincial, and try to arrive at a
10 common ground for doing this across Canada, because
11 we've seen the dis -- difference between the
12 statistics. The simple thing would be to -- to ask
13 the payday lenders to report -- you can't ask them to
14 report everything in sight, because they're small
15 businesses.

16 Volume of loans, bad debt expense
17 calculated the way I calculate it, and number of
18 borrowers, and number of loans each borrower took out.
19 So that's four (4) things. That would allow you to
20 compare with what British Columbia has now, the data
21 that I'm using, if you look at Table -- at Appendix 1
22 to my report, for example, which is just their report.

23 But the idea would be to have the fou -
24 - the provinces agree on -- on that. What I've given
25 is sort of the minimum. The US -- lots of US states

1 don't have any reporting either. That's why you see
2 that table with those estimates that the counsel for
3 CPLA was -- was pointing out to us, that they're --
4 they don't always know.

5 So it's very patchy, and I don't know
6 all the details of the US. I don't think anybody's
7 absorbed it all. So that's what I would do. I would
8 agree with them.

9 I would also, and I will put this on
10 the record, because the industry was complaining about
11 the fees and that they are the highest fees. I think
12 you should go to a fee -- you should ask them for the
13 data and go to a fee that is based on revenue.
14 Instead of sixty-five hundred dollars (\$6,500) fixed,
15 I think you should use .2 percent of loan volume.

16 That will mean that a small lender like
17 Al C11, which I pretty darn -- pretty sure has got a
18 lower volume, will pay far less than it's currently
19 paying. Then if somebody's cranking out \$4 million a
20 year in a store in volume, they're going to pay more
21 than they're currently paying.

22 That seems a fairer method, and partly
23 addresses the concerns of the smaller town lenders.
24 It's only a small measure. We're not talking large
25 amounts of money for relatively Manitoba budget, but

1 they might matter to a payday lender. I think it's a
2 fairer method.

3 DR. JERRY BUCKLAND: If I could just
4 jump in on that one.

5 MR. BYRON WILLIAMS: Could I -- could
6 I just interrupt Dr. Buckland. And if -- Madam Chair,
7 if -- if Dr. Simpson and Ms. St. Aubin could have the
8 Board's permission to leave, if that's appropriate? I
9 do want to thank them on behalf of our clients for
10 their -- their hard work and effort in this
11 proceeding, but if it's okay, they -- they have
12 pressing engagements, if it's -- unless -- does -- is
13 -- if someone has a -- a question?

14 THE PANEL CHAIRPERSON: Yes, that's
15 fine for them to leave at this point. And we'd like
16 to thank you very much for coming, and the extensive
17 work you did and provided to us. It's been very
18 useful. So thank you, and maybe we'll see you again.

19 MR. BYRON WILLIAMS: And I apol --

20 DR. WAYNE SIMPSON: Thanks to you as
21 well.

22 MR. BYRON WILLIAMS: -- apologize for
23 interrupting Dr. Buckland.

24

25 (WAYNE SIMPSON STANDS DOWN)

1 (ZOE ST. AUBIN STANDS DOWN)

2

3 DR. JERRY BUCKLAND: Yeah, if I could
4 just jump in on that question. And I wanted to
5 reinforce what Dr. Robinson said about national level
6 data. Like, I think it would be so helpful if the
7 data that was collected on payday lending was
8 national.

9 And I am aware Dr. Robinson mentioned
10 that the Consumer Measures Committee is still
11 operating. And I know that the Manitoba Consumers
12 Bureau has a representative on that committee. And I
13 think that committee should be mandated -- here --
14 here I'm mandating a committee. I think the committee
15 should be mandated to collect uniform data across all
16 jurisdictions on payday lending.

17 And there are so many questions that we
18 need to answer, and we need high quality data, so I --
19 I totally agree with that. The one (1) challenge, I
20 think, is the repeat borrower who's going to many
21 different payday loan outlets. How do we capture that
22 issue, that data point? Because to get that, we would
23 need names of clients.

24 And I can't imagine that kind of
25 information -- I don't think it's ethical to collect

1 that information, so I really don't know how that
2 would be addressed, but it's -- it's hugely important.

3

4 So I -- you know, I just wanted to lay
5 -- you know, name that as a challenging issue.

6 THE PANEL CHAIRPERSON: Ms.
7 Neville...?

8 MS. ANITA NEVILLE: I'm not sure
9 whether the question is to you or to those who have
10 left. Do you have evidence of multiple borrowers
11 within a family unit?

12 DR. CHRIS ROBINSON: That's a very
13 good question which I was struggling with when
14 reconciling my data with Dr. Simpson's. Their surveys
15 from StatsCan are household surveys, so they go to
16 head of household or to a representative member of the
17 household. And, as he said, maybe that person doesn't
18 actually know everything that's going on.

19 Do you know what your children are
20 doing, even if they're still living at home with you?
21 I prefer not to. Unfortunately, I do know what
22 they're doing. The -- so that there is -- there is
23 actually a confusion -- or there is a -- the
24 statistics from Nova Scotia and British Columbia are,
25 of course, borrowers, actual bodies that went in and

1 borrowed money, so it's one (1) person, so every
2 observation is one (1) person.

3 The observations from Dr. Simpson's
4 work are households, and so we don't know. But I can
5 draw a fairly strong inference from the nature of the
6 data. And I won't go into the calculations, but I did
7 spend quite a bit of time on it, that Dr. Simpson's
8 households do have -- must have more than one (1)
9 individual borrowing in them if we are to get the BC
10 statistics. I mean, not all the time, but there are
11 more than one (1) person in the household borrowing.

12 I don't know what family formation
13 looks like in Manitoba. My students in some of my
14 courses do actual live financial planning. That is,
15 they have client -- a client family. I can tell you
16 that the client families look very different from what
17 I grew up with. And I'm not referring just to, say,
18 same-sex marriages. I'm referring to three (3)
19 generations where all -- everything is pooled.

20 So you could have -- I've -- I've had -
21 - I've had a client where there were two (2) brothers
22 who married two (2) sisters and had kids, and they all
23 live in the same house and everything is shared. And
24 they said, We don't need insurance because if -- if I
25 die, it doesn't matter, you know, my sister-in-law

1 will look after the kid, that kind of thing.

2 So there, of course, you could have a -
3 - a number of borrowers, because you will have, you
4 know, a seventy (70) year-old grandfather who's
5 working as a crossing guard. And then you'll have,
6 you know, his forty-five (45) year-old son who's
7 working in construction. And then you'll have his
8 twenty (20) year-old son who's working in construction
9 and has just had a kid, and you don't know who's
10 borrowing.

11 So, yes, there clearly are. The
12 statistics show there must be some, and it is
13 happening, and not necessarily do they all know what
14 each is doing. I mean, they have their own cars.
15 They have their own debts, but they're living in the
16 same house, they're paying all the same food.

17 So it gets quite -- much more
18 complicated in the way families are formed today than
19 how I still think of families until my -- my family
20 pla -- my teaching. And, of course, Toronto is
21 possibly the world's most multicultural city, so we
22 see that. But I walk down the streets of Manitoba,
23 and I'm sure you've got everything that we've got.

24 So, yes, there is. And we don't know.
25 And there's no way to actually extract that data. As

1 -- as Dr. Buckland said, Even finding out repeat
2 borrowers is going to be tricky.

3 DR. JERRY BUCKLAND: Yeah. And if I
4 could just add. I don't know any national survey data
5 that would inform that question, but in our focus
6 group, interesting -- our second focus group, there
7 was a married couple, and so it was an anecdotal kind
8 of situation.

9 And the -- the partner -- the wife
10 started to take out payday loans after the husband had
11 basically maxed out on his payday loans. He could no
12 longer get them. So just one (1) particular story.

13 MR. NORM BISHOP: If it would be
14 helpful for the Board, the CPLA has an analysis of all
15 the reporting requirements for the provinces that
16 require it, and we could provide it to you so you can
17 see the inconsistency from province to province, but
18 the type of information they collect and is available
19 to collect.

20 THE PANEL CHAIRPERSON: We would -- we
21 would appreciate that data.

22 MR. NORM BISHOP: Okay.

23 THE PANEL CHAIRPERSON: Thank you.

24 MR. BYRON WILLIAMS: Just because
25 we're getting a little informal, it would be very

1 helpful if the CPLA had a -- some recommendations that
2 -- on reporting that they could share in advance, if
3 they -- if -- if they're able to. If not -- but I
4 think -- because on reporting, there may be some
5 common ground between the parties.

6 THE PANEL CHAIRPERSON: Okay. Thank
7 you, Mr. Williams.

8 Okay, Ms. McCandless.

9

10 CONTINUED BY MS. KATHLEEN MCCANDLESS:

11 MS. KATHLEEN MCCANDLESS: Thank you.

12 My next series of questions will be to you, Dr.
13 Buckland. And so first, I'd like to ask you some
14 questions regar -- with respect to your research
15 methods.

16 And you -- you did mention yesterday
17 and again today, that part of what you engage in is
18 triangulation. And just so that I -- that I
19 understand that correctly, that's assessing
20 qualitative and quantitative data together, looking
21 for consistency as between those two (2) sources of
22 data. And -- would that be accurate?

23 DR. JERRY BUCKLAND: Well,
24 triangulation can be used actually with any type of
25 methods. So, for instance, you could have

1 quantitative -- purely quantitative data that's coming
2 from two (2) or more different methods, and you could
3 use that to triangulate. You could use qualitative
4 methods, and you could triangulate.

5 For this particular project, we used a
6 mixture of qualitative and quantitative methods, but
7 yeah, the -- the idea is that by deriving results from
8 different methods and then comparing them, we can
9 enhance the validity and reliability of the results
10 where we see consistency.

11 Where we see inconsistency, then it
12 suggests maybe some more probing. More research is
13 necessary.

14 DR. CHRIS ROBINSON: If -- if I could
15 just point out something. I mean, going back to the
16 originators of these sort of concepts, okay, David
17 Hume, English philosopher, and Karl Popper, the
18 Austrian.

19 The point -- the -- the weakness of
20 many academic researchers is -- or many people, or all
21 of us, in fact, is that we seek confirmation. But our
22 job really is to seek -- is to disprove or to find
23 counter-examples, or to say, We're actually wrong. So
24 the -- because we can never -- never know.

25 David Hume, at one point in his life,

1 almost became frozen as a human being because he said,
2 I can't know anything for sure. And he was finally
3 able to resolve that so he didn't -- he didn't die in
4 his house. But -- so our job is to look for all the
5 things that disagree, which is, of course, what I did
6 in front -- right in front of you yesterday. I put
7 together the Cash Money, and it did not fully agree
8 with my previous results.

9 That's what we're supposed to do. So
10 triangulation is actually trying to disprove what you
11 think you know. And if you do a lot -- enough of it
12 and you can't -- you can't -- you -- you still can't
13 say, Oh, you know, I was wrong, or, You're wrong, or,
14 This idea is wrong, you feel more confidence in -- in
15 your idea. But you don't get to prove anything.
16 Proof is reserved for symbolic logic, and mathematics.
17 We cannot prove anything in social sciences.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 And simply for your reference, Diana, could you pull
20 up CAC prefiled evidence Tab 2, page 4. And, Dr.
21 Buckland, this is your paper on your literature
22 review. And scroll down -- pardon me, page -- yes,
23 the bottom of page 4. Literature review, method and
24 characteristics of the literature.

25 And I'm just putting this up here in

1 case you need to refer to it. But generally, I
2 understand that you sourced your -- your literature
3 review from a couple -- or a handful of databases,
4 EconLit, PAIS International, and JSTOR, J-S-T-O-R.
5 That's right?

6 DR. JERRY BUCKLAND: Yes, that's
7 correct.

8 MS. KATHLEEN MCCANDLESS: Okay. And
9 the literature in payday lending, where does the
10 majority of it come from?

11 DR. JERRY BUCKLAND: Well, I think the
12 -- excuse me -- the economics literature has been
13 quite interested in -- in payday lending. There are
14 some sociological and political economic studies of
15 payday lending as well, but a lot of the literature
16 actually comes from the US.

17 That seems to be a sort -- well, it's a
18 -- it's a large industry. It's very controversial,
19 and a lot of actually high-powered academics have
20 gotten right into that area. So, yeah, I would say
21 economics followed political economy/sociology law as
22 well.

23 MS. KATHLEEN MCCANDLESS: And the
24 majority of the literature does come from the United
25 States?

1 DR. JERRY BUCKLAND: Yes. I -- I
2 believe that's correct, yeah.

3 DR. CHRIS ROBINSON: I -- I've also of
4 course searched these liter -- the literature, though
5 I'm not as good at it as Dr. Buckland. Something
6 perhaps that's not -- that sort of we just take for
7 granted but maybe hasn't said, these databases --
8 JSTOR is one that -- that I use.

9 Our libraries have several of them.
10 They are colossal, I mean, what, seventy thousand
11 (70,000) journals per database, and you can just
12 search them. It's -- it's staggering, right? None of
13 us can actually conceive of how much there is in
14 there.

15 So when you go and search these
16 databases, you are searching a huge amount of stuff,
17 okay? It's -- none of us can even -- you know, you
18 could tell me a hundred (100) journals from those
19 things that other people say, Oh, yeah, it's really
20 well known, and I'll never have heard of it. You
21 could tell me ten thousand (10,000) journals and you
22 wouldn't begin to exhaust it.

23 MS. KATHLEEN MCCANDLESS: Dr.
24 Buckland, you mentioned yesterday in your presentation
25 that it appears that the literature on payday lending

1 is emerging to be -- become more sophisticated.

2 DR. JERRY BUCKLAND: Yes.

3 MS. KATHLEEN MCCANDLESS: Perhaps you
4 could just expand on -- on the implications of that in
5 your literature review -- pardon me -- and -- and the
6 research generally.

7 DR. JERRY BUCKLAND: Well, I think
8 that the literature has followed the course of the
9 industry. And the literature also follows the course
10 of what I would -- what I've described as the
11 underlying process of financialization.

12 So I think we're seeing this sort of
13 financialization becoming more recognizable. And
14 social scientists, economists are very interested in
15 that. And payday lending is I believe a fairly mature
16 industry, and again it's attracted academic interest.

17 MS. KATHLEEN MCCANDLESS: Thank you.

18 Diana, move to page 6, please, the
19 footnote at the bottom of the page. And Ms. Ko did
20 ask about this in her cross-examination. It's with
21 respect to the Pew Charitable Trust's research.

22 So I'm not going to review the footnote
23 in detail, but my question is: Are you aware of any
24 other research on payday lending of this case?

25 DR. JERRY BUCKLAND: I am not aware of

1 this scale of research by such a respectable
2 organization as Pew Charitable Trusts. I think that,
3 yeah, it's -- it's quite a unique data set, and their
4 efforts were really quite universal -- I -- I mean, in
5 the US context.

6 They were focusing on the American
7 context, so they -- they strive very hard to encompass
8 the -- the American situation.

9 If I could just add, in terms of the --
10 the number of respondents that they followed up on --
11 because I think Dr. Simpson and Dr. Robinson have
12 spoken a little bit about this survey, so it's a
13 special kind of omnibus survey.

14 They added a payday loan question, and
15 then they followed up with the people who responded to
16 the -- the payday loan question. There were four
17 hundred and fifty-one (451) people who replied that
18 they had taken out a payday loan. So that's four
19 hundred and fifty-one (451) people.

20 Now, that's not a huge share of the
21 omnibus survey. It's .9 percent. However, I wouldn't
22 -- I wouldn't weigh this -- sorry. I -- I still that
23 significant weight should be placed on this survey.
24 Why? Because it was piggybacked onto this omnibus
25 survey which is nationally representative.

1 The .9 percent I think is more
2 reflecting the fact that payday lending is still only
3 used by a small fraction of Americans. And so I
4 wouldn't devalue the results of this survey, number 1,
5 because it's piggybacked onto an omnibus survey that's
6 very high quality, and secondly, Pew did their best to
7 capture all the people that responded to it.

8 I would also want to add that the
9 Survey of Financial Security that we were talking
10 about earlier today that Dr. Simpson had spoken to
11 yesterday, three hundred and forty (340) of the
12 roughly twelve thousand (12,000) respondents were --
13 were from the -- the payday loan group, and so these
14 numbers are not far off.

15 Moreover, I would like to add -- and I
16 know there's some conversation that's ongoing with
17 regard to the presentation by Anna Ellison from
18 Policis. But, frankly, when I look at the data that
19 she presented, when I look at it carefully, I don't
20 find it at odds with the -- the results that I see
21 from the Pew study.

22 In other words, where they find limited
23 change in the internet payday loan use across regimes,
24 I -- I see similar results with the Policis study.
25 Now, I know we're having kind of a conversation about

1 that, but I did want to say.

2 So my point in raising that is that I
3 think the Pew study's very high quality. The numbers
4 are low in terms of four hundred and fifty one (451),
5 but they're not that different from what we've used
6 for the survey of financial security, and the results
7 are not -- are, frankly, consistent unless I can have
8 more clear detailed information from the Policis
9 study. They -- they don't seem to contradict what the
10 Pew study found.

11 MS. KATHLEEN MCCANDLESS: Thank you.
12 Page 8 of your report, Diana, please. The last
13 paragraph of your report, you note, and we have heard
14 this in your evidence, that:

15 "Data on the Canadian payday loan
16 industry are limited. There is
17 little official data, and private
18 sources have dried up."

19 Can you offer any into -- any insight
20 into why the private sources of data have dried up?

21 DR. JERRY BUCKLAND: Well, the two (2)
22 main sources of data that we had regarding the
23 Canadian payday loan industry were from Money Mart --
24 I'm sorry, Dollar Financial Group, which was the
25 parent company of National Money Mart. They have been

1 sold, from what I understand, to another company which
2 is not publically traded, does not require to submit
3 10K reports to the Security and Exchange Commission in
4 the US.

5 So that was a immensely valuable source
6 of information. And I still go back and read those.
7 And I'm just amazed, because the kind of analysis
8 they're doing, well, it was -- it was very honest, in
9 some cases, reporting about the -- the characteristics
10 of the clientele. They talked about the LS (phonetic)
11 client, and the RD (phonetic) client, and frankly, it
12 was -- it was very helpful.

13 So we've lost that insight into the
14 industry. And we've also lost Rent Cashes -- Rent
15 Cash Financial's annual reports, because they were
16 publically traded, and their annual reports were
17 available on the Canadian trade website. And because
18 they've gone bankrupt, we're no longer able to get
19 that information either.

20 MS. KATHLEEN MCCANDLESS: Thank you.

21 DR. CHRIS ROBINSON: As it happens, at
22 the present time, as far as I can tell, there are only
23 four (4) publically traded companies in the US, two
24 (2) of which seem to have other difficulties, two (2)
25 of which seem to have more normal financial statements

1 and results.

2 But there isn't a lot of data for us to
3 look at, even if we're just going to try to analyze
4 American per -- performance, because another one (1)
5 of the major American firms was also bought out by
6 Grupo Electrico of Mexico, so that even if you're
7 doing US analysis, you -- you get quite limited. And,
8 in fact, we don't see a lot of that being done, even
9 by the people who are analyzing this in the US.

10 MS. KATHLEEN MCCANDLESS: Thank you.

11 THE PANEL CHAIRPERSON: We just have a
12 couple of questions from our panel, if that's okay.

13 MR. REGIS GOSSELIN: I -- I want to
14 clarify what you just said about the Policis survey.
15 And -- and I -- I want to make sure I understood what
16 you said, because I -- could you repeat what you said?
17 And specifically, I think you were talking about that
18 -- a study from a methodol -- methodological approach
19 as opposed to the conclusions that were drawn.

20 And -- and am -- am I -- because the
21 central conclusion is that, if you have a restrictive
22 regime, you're chasing people to the internet. And --
23 and I heard you say that you thought that approach was
24 the right one. So I'm -- I just want to make sure I -
25 - I --

1 DR. JERRY BUCKLAND: Okay, if I could
2 clarify. I -- I have some -- I -- I've got many
3 comments regarding the methodology of that paper. And
4 I have many comments regarding the data source that
5 they used. However, when I look at slide 21 from the
6 Policis study, what it...

7

8 (BRIEF PAUSE)

9

10 DR. JERRY BUCKLAND: So slide 21. So
11 when I look at the -- at slide 21, and again, what I
12 would really want to see is in addition to percentages
13 is actual volume data, like absolute volume data,
14 whether it's dollar figures or number of clients.

15 But when -- when I look at the dark
16 yellow that we see in the permissive, the restrictive,
17 and the effectively banned, those are the terms that
18 are used in the study, the -- that share is -- is
19 similar across all three (3) and that's the unlicence
20 -- unlicensed lending group.

21 It's approximately 20 percent in all of
22 these regimes. And that seems to me to be consistent
23 with what Pew found that the uptake by consumers in
24 pro -- in states with these different regimes is about
25 the same.

1 DR. CHRIS ROBINSON: If I -- if I
2 could add to that, I'd perhaps put certainly stronger
3 language. The conclusion drawn by the young lady from
4 Policis is not in fact supported -- I mean,
5 methodologically it's suspect, but it's not actually
6 supported by what she presented.

7 She cannot actually draw the conclusion
8 that she drew from the evidence she presented, even if
9 it were correct, which I don't believe it is. Among
10 other things, I note that she had Washington wrong and
11 she got the rates in Florida wrong, and she was
12 talking about Florida.

13 So you can't actually draw that
14 conclusion. The conclusion drawn was give more money
15 to the existing stores and they will stop the
16 penetration of the internet lenders. But, in fact,
17 there's no reason to make that -- I mean, the evidence
18 does not provide -- there is no evidence to support
19 that that is what will actually happen, that is, after
20 all, a social experiment.

21 And she -- we will be giving an
22 undertaking, which she ignored the United Kingdom, her
23 own country. The United Kingdom only recently
24 regulated, as shown in my evidence. The start was
25 January 1, 2015. The United Kingdom was primarily

1 internet lending when it was completely unregulated
2 and, therefore, the stores could do whatever they
3 wanted, but the internet took over the United Kingdom.

4 So, therefore, in fact, the evidence of
5 the United Kingdom completely refutes the hypothesis
6 that she is claiming. I have no idea why internet
7 lending is so popular in the United Kingdom and is not
8 popular in Canada and the US. I have no explanation
9 for that.

10 But it's certainly saying that a
11 permissive regime prevents it. There is no reason to
12 suppose that whatsoever, or that a restrictive regime
13 will encourage it, just no evidence whatsoever.

14 MS. ANITA NEVILLE: A bit of a
15 sidebar, did the non-mandatory aspect of the household
16 survey in the last census affect your ability to
17 gather data?

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: And I'll just --
22 all right, yes. All right. Just -- the witnesses can
23 certainly answer. Just because that question probably
24 goes to Dr. Simpson as well. If I would -- they're
25 more than welcome to answer, but I think he's

1 indicated he's available on a daily basis.

2 So with your permission, Board member
3 Neville, in -- in addition to whatever these witnesses
4 will say, I think the -- the horse's mouth is -- is
5 Dr. Simpson on that point, and we -- we would
6 undertake to provide an additional response from him
7 if that would be of assistance to you.

8

9 --- UNDERTAKING NO. 3: The Coalition to indicate
10 if the non-mandatory
11 aspect of the household
12 survey in the last census
13 affects their ability to
14 gather data

15

16 DR. CHRIS ROBINSON: Okay. I mean,
17 I'm still willing to whinny though, because of course
18 both of us do -- I mean, we're both economists, we
19 both deal with these. First of all, I mean, Dr.
20 Buckland reminded me it's a separate survey.

21 The census is different from this
22 other. This other survey is not a mandatory survey in
23 any case. The weakness of -- the -- the damage done
24 by -- by his Lordship King Harper to the census data
25 in terms of our interest in this hearing would be

1 that, of course, people who are marginalised are less
2 likely to be captured.

3 It takes a lot of work to get them.

4 And that, of course, means, among other things, the
5 Aboriginal population of Manitoba which is much larger
6 than the Canadian average.

7 But that same problem occurs with the
8 data that Dr. Simpson is using in that it is -- it was
9 voluntary and so it's harder to get.

10 The -- the qualitative focus group's
11 research, et cetera, of course their methodology led
12 to capturing the marginalized populations if they're
13 there to be captured at all. And of course, if you
14 hang around outside payday lenders, that's how you
15 find them.

16 So in that sense, the data that the
17 Coalition gathered, that Ms. St. Aubin and Dr.
18 Buckland gathered, is in some ways more representative
19 of the problem we're looking at than even the census
20 data.

21 However, the fact that the census was
22 not mandatory does not have any effect on the actual
23 results we have, but there are other limitations.

24 MS. ANITA NEVILLE: Thank you.

25

1 CONTINUED BY MS. KATHLEEN MCCANDLESS:

2 MS. KATHLEEN MCCANDLESS: Thank you,
3 Dr. Buckland and Dr. Robinson.

4 Moving on to page 12 of your report,
5 Dr. Buckland -- Diana, that's CAC Tab 2. And I
6 understand your finding is that the online lending
7 industry is growing, yes?

8 DR. JERRY BUCKLAND: The -- the
9 evidence from the US that I've seen finds that it's
10 growing. I -- I haven't seen evidence that it's
11 growing in Canada other than -- yeah. I have not seen
12 evidence that it's growing in Canada.

13 What I know of is the estimate from the
14 Ontario panel that estimated internet lending to
15 represent 10 percent of the total.

16 MS. KATHLEEN MCCANDLESS: Now, with
17 respect to the second line under your point 2. --
18 2.3.3.1, Asymmetric Information, you note that:

19 "Given the fact that the online
20 lender can be based anywhere in the
21 world, regulation is challenging."

22 Perhaps you could just expand on that
23 somewhat.

24 DR. JERRY BUCKLAND: Well, it's just
25 very difficult for a regulator to regulate the

1 operations of a company in a different jurisdiction.
2 I -- I recognize that's a major challenge for the
3 Public Utilities Board.

4 MS. KATHLEEN MCCANDLESS: And I
5 understand you were involved in the Consumers Council
6 of Canada report that's actually appended to the
7 CPLA's pre-filed evidence at Schedule F?

8 DR. JERRY BUCKLAND: I was contracted
9 to be the research methodologist. The Consumer
10 Council of Canada, specifically Denise Barrett
11 consulting, re -- received a grant from the Office of
12 Consumer Affairs from Industry Canada.

13 Industry Canada has a small grant
14 program for research undertaken by certain non-profit
15 organizations looking at consumer issues. So they
16 received a grant from the Office of Consumer Affairs
17 to look at internet payday lending.

18 What you have to do in order to
19 undertake the -- the research is you need a
20 methodologist who will review the methodology and then
21 comment on the conclusions at the end, and
22 specifically are the conclusions consistent with the
23 methodology, that kind of thing.

24 MS. KATHLEEN MCCANDLESS: Okay.
25 Perhaps, Diana, we could pull up that document.

1 That's CPLA Schedule F. Thank you.

2 And the abstract here, if we just
3 scroll down a little bit...

4

5 (BRIEF PAUSE)

6

7 DR. JERRY BUCKLAND: Sorry about that.

8 MS. KATHLEEN MCCANDLESS: No worries.

9 Thank you. So this is a summary of what the study
10 looked at, right: How compliant are the sites
11 consumers are most likely to encounter with relevant
12 provincial legislation? -- among other things.

13 And if we turn to page 6, these are the
14 con -- conclusions and recommendations of the report.
15 Now, if I'm to understand what you explained as -- as
16 far as your role, it included looking at the
17 conclusions and determining as to whether they were --
18 you were satisfied that they were accurate based on
19 the research methodology?

20 DR. JERRY BUCKLAND: With -- yes, with
21 the understanding that they did not undertake any
22 payday lending -- payday borrowing -- payday loan
23 borrowing. What they did was they just searched the
24 Internet in various locations, and reviewed websites.
25 They -- they did not actually undertake payday loans,

1 and I -- I see that as a very important -- an explicit
2 limitation of this -- this research project because
3 frankly doing research on Internet payday lending is -
4 - is quite challenging.

5 MS. KATHLEEN MCCANDLESS: Perhaps you
6 could just explain when you say "not actually taking
7 out the payday loan" why -- why that would be, in your
8 view, essential to the conclusion?

9 DR. JERRY BUCKLAND: Well, in order to
10 do a -- I think a fulsome study of Internet payday
11 lending, we would want people to actually take out
12 payday loans. And that would then provide us with
13 information spec -- in-depth information regarding
14 what they -- information they were provided,
15 information they were not provided, how the
16 information was provided, what the actual costs were.

17 All of that information is based
18 strictly on what they found on the website. And so
19 it's -- it -- it's a kind of mystery shopping, and
20 mystery shopping has a value. It -- it has a role,
21 but without actually undertaking the -- you know, the
22 loan there's a limitation.

23 So -- so I just -- you know, would say
24 that we -- we need to be careful with the conclusions.
25 That we don't fully understand Internet borrowing from

1 this study.

2 DR. CHRIS ROBINSON: In 2008, I didn't
3 pay enough attention to the qualitative researcher, a
4 young lady named Anita, early enough. And she kept
5 telling me that there was something wrong with the
6 data she was collecting, and she was actually doing --
7 she actually took out a loan. It was not until I
8 backwards engineered the contract from Rent Cash that
9 I discovered that they were lying.

10 So every evidence that you would have
11 seen in this study said they're charging 20 percent.
12 They were not. They were charging twenty-five (25)
13 because they were discounting the loan. And this was
14 not evident. And I then discovered that in certain
15 American jurisdictions they didn't write the
16 legislation carefully, so the legislation reads 15
17 percent but it doesn't stop you discounting.

18 So what you do when you discount a
19 loan, Ms. Proven will remember this, what you do is
20 you say: We'll give you a hundred dollars (\$100), and
21 the fee is fifteen dollars (\$15). So we're lending
22 you -- lending you a hundred (100) -- we're making
23 sure we collect the fee now just to make it easier for
24 you, so here's your eighty-five dollars (\$85).

25 Well, that means your fee is fifteen

1 (15) over eight-five (85). If you go to Tab 37,
2 you'll see 17.65 percent in a bunch of jurisdictions.
3 Their laws say fifteen (15) but they don't ban
4 discounting. All the Canadian jurisdictions ban
5 discounting because we learned from this, including
6 Manitoba.

7 But Rent Cash at that time was claiming
8 20 percent, and that's -- this study would say, Oh
9 they're charging 20 percent. They're within the law.
10 They're charging twenty-five (25). That is why you
11 have to do the mystery shopping.

12 We also, of course, have no idea how
13 many people actually use which websites. That's the
14 other problem, right. There's lots of websites out
15 there offering all kinds of things I'd rather not even
16 think about, but that doesn't mean that they actually
17 get to sell any of it.

18 MS. KATHLEEN MCCANDLESS: Thank you.
19 So just turning to the conclusions then in the study,
20 the first conclusion is that licensed lenders show a
21 high level of compliance with regulations, and those
22 are licensed online lenders, yes?

23 DR. JERRY BUCKLAND: That is correct.

24 MS. KATHLEEN MCCANDLESS: And -- and
25 this is a conclusion that you were able to -- to agree

1 with, notwithstanding your -- what I understand is
2 your qualification with respect to the -- the fact
3 that no loans were actually taken out.

4 DR. JERRY BUCKLAND: Yeah, based on
5 the -- the evidence that they found in their kind of
6 environmental stand of websites, yeah, I believe that
7 that is a conclusion that flows from their analysis.

8 MS. KATHLEEN MCCANDLESS: And that
9 would be the same with respect to findings 2 and 3?

10 DR. JERRY BUCKLAND: Correct.

11 MS. KATHLEEN MCCANDLESS: Okay.
12 Diana, if we could move to page 29 of this document?

13

14 (BRIEF PAUSE)

15

16 MS. KATHLEEN MCCANDLESS: As I
17 understand it, the study looked at a total of one
18 hundred and thirty-four (134) online sites in Canada,
19 yes?

20 DR. JERRY BUCKLAND: Yes, that's the
21 number.

22 MS. KATHLEEN MCCANDLESS: And the
23 sample in Manitoba was twelve (12) total, two (2) of
24 whom were licensed online lenders, yes?

25 DR. JERRY BUCKLAND: Correct.

1 MS. KATHLEEN MCCANDLESS: Then if we
2 turn to page 89 of this report, this indicates where
3 the unlicensed sites were hosted, right. And we see a
4 column to the right which is "other" and if we scroll
5 down the page somewhat, I believe it shows where those
6 other sites were hosted.

7 DR. JERRY BUCKLAND: Well, again --
8 yes, that is correct, with the qualification that
9 they're basically relying on the information that's
10 provided on the website. And so is that headquarters
11 for these internet payday lenders or not.

12 We could only definitively say if, you
13 know, I guess phone calls were made and -- and so
14 forth. But what they're relying on is information
15 from the web.

16 MS. KATHLEEN MCCANDLESS: Okay. I
17 understand your earlier comments -- or your -- your
18 comment in your report about regulation being an
19 issue. Would this be the type of information that
20 would cause you concern about regulation of online --
21 unlicensed online lenders?

22 DR. JERRY BUCKLAND: If -- if online
23 payday loan companies are outside of the jurisdiction
24 then they cannot be effectively regulated by the local
25 regulator. And so, yeah, these -- this is evidence

1 that there are some online providers outside of the
2 country that it would be difficult to regulate.

3 Now, I mean, I guess some -- I mean,
4 the one (1) question is, okay, to what extent are
5 Manitobans going online for their payday loans. I
6 don't think there's evidence that there's -- I think
7 the evidence is it's a small share. I don't see
8 evidence of growth, but I'm -- I'm open to -- to
9 learning about that.

10 I also primarily and con -- and -- I am
11 concerned with the vulnerable repeat borrower. And my
12 reading of the evidence on that front is they're the
13 least likely to go to the internet. Why do I say
14 that? Because this study actually makes reference to
15 the most likely candidate for the internet payday loan
16 is the younger, tech savvy, slightly better educated
17 person.

18 And I think that is not the kind of
19 demographic profile most common to the repeat --
20 vulnerable repeat borrower. So that would be another
21 kind of factor in -- in my thinking here.

22 DR. CHRIS ROBINSON: There appears to
23 be only one (1) effective way to regulate or to affect
24 the internet and I think it may require time to see.
25 If you take a look at the last report from Money Mart

1 and I think it's in -- somewhere in my IRs, but I
2 can't remember the number, you'll -- I was able to
3 extract the loan loss rate on internet loans and it's
4 over 10 percent.

5 Which, as far as I can tell, should put
6 you out of business. Again, Canada is supporting
7 arrest of -- arrest of Money Mart and Dollar Finan --
8 arrest of Dollar Financial rather.

9 Second is, and the young lady from
10 Policis referred to this, I guess it was two (2) days
11 ago, or was it yesterday, anyway, referred to it. She
12 stated that some states -- and this is true, some
13 states have simply said you can't collect.

14 If you're not in compliance with your
15 regulations you can't go to our courts. That's a
16 simple legal thing. You must sue in the jurisdiction
17 in which you reside. And of course nobody sues in
18 this in any case. It would appear at least for now
19 that enough borrowers are paying their loans online
20 even though the laws don't require them to do so.

21 But all we require is sufficient time,
22 I believe, for diffusion of information. That is, for
23 more and more borrowers to realize that they can go to
24 an online site, borrow the money, and then tell the
25 bank not to pay it. And that will destroy those

1 lenders.

2 If Money Mart, which is a licensed --
3 or sorry, Dollar Financial, which is a licensed
4 legitimate operation, okay, and I mean, it is a
5 legitimate company behaving within the law. Yeah,
6 it's had some lawsuits against it and what not, but as
7 payday lenders go, that's an honest operation.

8 And they were suffering more than 10
9 percent loan losses according to their own report and
10 that was earlier in their thing and they were
11 expanding rapidly. I think the effective regulation
12 is to wait until the borrowers realize that they can -
13 - they can cheat the online lenders.

14 The can't cheat the stores, the stores
15 are here. It's much harder to cheat when the stores
16 have got the banks. And the online lenders have
17 absolutely no recourse, especially if they're in
18 Estonia.

19 MS. KATHLEEN MCCANDLESS: Thank you.
20 Turning back to your report at page 14. And this is
21 with respect to US research into online lending, yes?

22 DR. JERRY BUCKLAND: Yes, are you --

23 MS. KATHLEEN MCCANDLESS: The section

24 --

25 DR. JERRY BUCKLAND: -- you're

1 referring to John Caskey?

2 MS. KATHLEEN MCCANDLESS: Yes.

3 DR. JERRY BUCKLAND: Yeah.

4 MS. KATHLEEN MCCANDLESS: Okay. And
5 in the bottom sentence of the first paragraph there,
6 you write that:

7 "Sometimes online payday loans are
8 structured to encourage repeat
9 borrowing by only withdrawing
10 interest and not principal charges
11 for several paydays."

12 Now, I'm not -- I'm not sure if you're
13 able to to speak to this, but are you aware as to
14 whether or not Canadians are accessing sites that
15 employ something similar?

16 DR. JERRY BUCKLAND: I -- I don't know
17 that. This was from -- yeah. I -- I think I see the
18 -- the statement from the CFA study, and, yeah, I -- I
19 don't know if Canadians are accessing it. I -- I
20 don't think there's any reason that would prevent them
21 from acc -- accessing that, but I don't know that. I
22 really couldn't say.

23 MS. KATHLEEN MCCANDLESS: If we move
24 to page 27 of your report, now this ties in with the
25 issue of online lending because we have heard the

1 presence of unlicensed or unregulated lenders online.

2 And you write here that:

3 "One (1) argument is that
4 restrictive regulations push credit-
5 strapped people to alternative
6 lenders."

7 And we've certainly heard from the
8 industry with respect to that.

9 Now, you also comment that several
10 studies in the US find that this is not the case. And
11 this is -- Pew is one that you cite.

12 DR. JERRY BUCKLAND: Yes.

13 MS. KATHLEEN MCCANDLESS: Now, can you
14 comment on how the growth of an online industry might
15 play into some of those findings?

16 For example, if there's a larger online
17 industry hypothetically growing, will the findings
18 that people will not -- will go to other sources still
19 be valid if there's a greater ability for them to find
20 somewhere online?

21 DR. JERRY BUCKLAND: Hm. Oh, that's a
22 really good question. I mean, it seems like there's
23 two (2) arguments that -- that I've heard about more -
24 - if -- instead of using "restrictive," if I could
25 say, "nudging" policy or regulation.

1 And by that, I mean, where the -- the
2 regulator nudges the industry towards something that's
3 -- that's more beneficial for both the consumer and
4 the company. And, I mean, we talk about nudging
5 consumers through behavioural economics. I don't
6 quite know why we don't talk about nudging the
7 industry.

8 And if we can nudge the industry and
9 the consumer into a direction that's better for both,
10 then the industry's healthier and the consumer's
11 healthier.

12 And so the -- the arguments that I've
13 heard in terms of less nudging, if -- if you'll allow
14 me that, are that if you nudge the industry too much
15 in one (1) direction, then the consumer just takes
16 their demand either to the internet or to the illegal
17 money market or to family or friends.

18 And so I -- I find that the Pew study
19 is again very interesting because they did do this
20 cross-regime analysis in the US where there are three
21 (3) quite clear different types of regimes that they
22 talk about: restrictive, permissive, and hybrid.

23 And they have found that, first of all,
24 the internet uptake was not hugely different across
25 the regimes. But what they found was that, in the --

1 the restrictive regimes, which I'm calling the -- the
2 nudging regimes, that people would reduce their
3 spending.

4 They would borrow from friends and
5 family, they would go to a pawn shop rather than go to
6 a -- of course, I mean, they could still go to a
7 payday lender through the internet or through -- see,
8 the other thing we don't think about sometimes I think
9 in Canada is, because some American states are so
10 small, and many Americans might live on the border,
11 they may not be able to get a payday loan in their own
12 state, but they can get one in an adjoining state.

13 And actually, if I could just put a
14 plug in for a very interesting study done by Melzer
15 which I referred to earlier in this study where he
16 looks at -- he compares payday loan proximate counties
17 with payday loan distant counties.

18 And it's a very interesting study that
19 Dr. Simpson and I were talking about earlier. It's
20 really instructive to look at some of the consequences
21 of regulation.

22 But what the -- the Pew study finds is
23 that people are -- are basically not going to payday
24 lenders as much and they're finding alternatives. And
25 that's kind of going back to that point I was making

1 earlier about, well, let's establish the -- the
2 restrictions, the -- the restrictions, the -- the
3 parameters and people figure out the best way to work
4 within those parameters.

5 And, you know, again, in Quebec we have
6 a province in Canada where the usury ceiling is 35
7 percent, payday lenders don't operate. As far as I
8 have seen, there is not a huge illegal money market.
9 There is not a huge move on the part of Quebecors to
10 internet payday lending.

11 Now, I'm not saying they're -- that
12 isn't happening, maybe it is happening, I just haven't
13 seen the data. And so it seems to me in Quebec the
14 parameters have been set and the province is working
15 okay. It seems to be working okay.

16 And so I think that where we nudge the
17 industry into more what I would say healthy practices
18 for both the industry and the consumer, consumers will
19 -- will respond.

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 Diana, could we pull up PUB CPLA-1-33? This was an
22 Information Request to the CPLA, but it -- it was to
23 comment with respect to a finding in your study.

24

25 (BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS: And the
2 question that was posed was:

3 "Please comment on the findings
4 quoted by Dr. Buckland and Henderson
5 that US states with restrictive
6 regulations do not see an increase
7 in use of online payday loans or
8 other fringe bank products."

9 And the response was that you were
10 relying on old studies based on data collected a
11 number of years ago. I believe you may have somewhat
12 answered that -- that question in your previous
13 evidence.

14 I just wanted to point you to that and
15 perhaps ask you to comment on -- on that response.

16 DR. JERRY BUCKLAND: I -- I think
17 academics often are working with data that's a couple
18 years old. However, what we look for is good quality
19 data. And so we want to make sure that the data is
20 collected carefully, it's comprehensive and the
21 variables are -- are good quality, they're in --
22 indicative of what we're looking for.

23 And so I think the Pew -- as I said,
24 the Pew Charitable Trusts material I believe is -- is
25 high quality. I have not seen more recent data of

1 this quality. And, I mean, I wish there was more
2 recent data and -- and that I could look at.

3 But I think 2013 -- 2012/2013 is -- is
4 not too old. That data is still relevant. And it's a
5 useful -- useful data for this analysis.

6

7 (BRIEF PAUSE)

8

9 DR. CHRIS ROBINSON: With respect to
10 that question, if I can just refer you to another
11 piece of Dr. Buckland's report. I also recall talking
12 to the Center For Responsible Lending about this
13 result. North Carolina, where the Center For
14 Responsible Lending is located, banned payday lending
15 in 2001 effectively, brought in an APR of 36 percent.

16 By 2006, everybody had been closed.
17 I'm not sure why they lasted that long, but by 2006
18 they were all gone. And so in 2007 the Center for
19 Responsible Lending went around and started talking to
20 -- you know, surveying people and finding out what the
21 effect was.

22 Now, as far as I'm aware, there has not
23 been a total social breakdown in North Carolina. And
24 their opinion was that most surveyed households
25 consider themselves better off or unaffected by the

1 closing of payday loan stores. They found a variety
2 of ways to manage. That was what the CRA told me back
3 in 2008 when I talked to them -- or -- this was oral.
4 It was the same thing. They were reporting on these
5 results, which maybe they hadn't even released then.

6 Because the -- there's no evidence that
7 it's -- that it harms. I mean, it maybe does harm
8 some people. We don't have any consistent evidence.
9 We've not seen any anywhere that states that actually
10 close it down, not just restrict it, but just say, No,
11 no payday lending, that they end up worse -- that
12 their populations end up somehow disadvantaged or
13 worse off.

14 After all, as far as we know, the first
15 payday lender only opened in 1989 in Missouri. That's
16 the best evidence I have, though it may have been some
17 other time, but it seems to be Missouri, which still
18 has a lot of payday lenders. And, of course, Kansas
19 City is on two (2) sides of the border, so you could
20 compare the results.

21 But the -- what was happening prior to
22 1989? And what we do know is the debt levels among
23 Canadians were much lower in 1989 than they are today,
24 and the same thing in the US. What we don't see is
25 any evidence that people were living in misery and --

1 and depravation prior to the existence of payday
2 loans.

3 MS. KATHLEEN MCCANDLESS: Thank you.

4 And moving into the issue of the Pew research on -- on
5 this question. Diana, could you pull up PUB/CAC-1-18?

6 And we did ask you, Dr. Buckland, to --
7 to comment on that finding in the Pew Charitable
8 Trusts's report, which -- in which 81 percent of the
9 respondents to the survey stated that if they were
10 faced with a cash shortfall and payday loans were
11 unavailable, they would cut back on expenses.

12 The question was whether you had any
13 information as to whether the survey respondents were
14 asked if they'd be willing to borrow from an Internet
15 lender if payday loans were unavailable. And so if we
16 can scroll down to the response, this is copied and
17 pasted from the report.

18 And just looking to the bottom of
19 Exhibit 5 in there:

20 "It seems to me that the
21 participants were asked, I'm going
22 to read you several options. For
23 each, tell me whether you would use
24 this option if you were short on
25 cash and short-term loans of any

1 kind no longer existed, how
2 about..."

3 And then the options in the chart above
4 were given. I'm correct in my understanding?

5 DR. JERRY BUCKLAND: I -- I believe
6 so, yes.

7 MS. KATHLEEN MCCANDLESS: So to me,
8 that says that the respondents were not asked whether
9 no payday loans were available, but online loans were
10 available. Would you agree with me on that?

11 DR. JERRY BUCKLAND: I -- I think
12 you're right, yeah.

13 MS. KATHLEEN MCCANDLESS: Okay. So
14 ultimately, while the Pew report gives the 81 percent,
15 it's not necessarily clear as to whether that would
16 reflect the situation where payday loans were banned
17 but they were still available online. Would that be
18 correct?

19 DR. JERRY BUCKLAND: I would go to the
20 other data sources that find that -- in restrictive
21 regimes, payday -- Internet payday loan use is not
22 higher than non-restrictive regimes.

23 MS. KATHLEEN MCCANDLESS: Yeah. That
24 -- and I understand that. My -- I'm just trying to
25 understand what -- that we're of the same mind on the

1 Pew findings, and -- and specifically, that they
2 didn't make that distinction in the -- in the question
3 asked of the respondents.

4 DR. JERRY BUCKLAND: That's my
5 understanding, yes.

6 MS. KATHLEEN MCCANDLESS: Thank you.

7 MR. BYRON WILLIAMS: And for Board
8 counsel, just -- the other information I think Dr.
9 Buckland --

10 MS. KATHLEEN MCCANDLESS: Yes.

11 MR. BYRON WILLIAMS: -- was referring
12 to is in that same information response.

13 MS. KATHLEEN MCCANDLESS: And we can
14 scroll to the bottom there for -- yeah.

15 MR. BYRON WILLIAMS: Next page. I
16 think the next page, Diana.

17

18 (BRIEF PAUSE)

19

20 CONTINUED BY MS. KATHLEEN MCCANDLESS:

21 MS. KATHLEEN MCCANDLESS: And this is
22 the evidence -- or the information in the Pew research
23 as to the method by which people borrow from payday
24 lenders, yes?

25 DR. JERRY BUCKLAND: That's correct.

1 MS. KATHLEEN MCCANDLESS: Madam Chair,
2 I -- I do intend to move into a -- a new area, and I'm
3 mindful that it is the noon hour.

4 THE PANEL CHAIRPERSON: Yes. I think
5 it would be a good time to break. I believe there's a
6 consumer panel coming -- are they coming for 1:00
7 p.m., or -- I'm not sure what time.

8 MR. BYRON WILLIAMS: I have to look to
9 my boss, Ms. Dilay, on that.

10 THE PANEL CHAIRPERSON: Yes --

11 MR. BYRON WILLIAMS: Is it 1:00 --
12 1:00?

13 THE PANEL CHAIRPERSON: 1:00 p.m., so
14 if we could dismiss for lunch now, and make sure we're
15 back maybe five (5) to 1:00 so that the consumer panel
16 will be ready to go when -- okay, thank you.

17

18 (PANEL RETIRES)

19

20 --- Upon recessing at 11:58 a.m.

21 --- Upon resuming at 12:59 p.m.

22

23 THE PANEL CHAIRPERSON: Good afternoon
24 and welcome back after lunch. And -- and welcome to
25 our consumer panel. We're very appreciative of you

1 being here. Before we begin, I believe I have to ask
2 Mr. Christle to come and swear you in as expert
3 witnesses.

4 So he'll -- he'll come and do that,
5 please.

6 MR. NORM BISHOP: Madam Chair, I just
7 wanted to let you know that a number of us will be
8 leaving this afternoon in the middle of the
9 presentation, so it's not out of any disrespect but we
10 do have a plane to catch. So we'll slip out quietly.

11 I think my -- My Friend may want to
12 introduce more evidence in the next couple days, or --
13 or more materials, and -- so we won't have an
14 opportunity to review them.

15 If that's the case, we'd like an
16 opportunity to perhaps put written submissions. Once
17 we do review them, we're mindful that the closing of
18 the hearing is on Monday.

19 THE PANEL CHAIRPERSON: That's correct.

20 MR. NORM BISHOP: So we'd -- depending
21 on when the material comes in, we may be asking for a
22 little more time to comment on it once we review it,
23 but I just put those comments out there. And we'll
24 see what -- what comes forth.

25 THE PANEL CHAIRPERSON: Okay, thank

1 you. Did you want to com -- would you please?

2 MS. KATHLEEN MCCANDLESS: Just a
3 question for Mr. Bishop. When you say, "written
4 response," is that with respect to a written closing
5 submission, or...?

6 MR. NORM BISHOP: No. If -- if -- I -
7 - I'm not sure what -- what My Friend will be looking
8 to bring forward. So in the event that there is
9 material that comes forward and we're not here to
10 review it, we would have an opportunity to provide a
11 response once we do.

12 So I'm -- I'm not -- it may be in
13 respect to undertakings or further material that we
14 haven't seen yet.

15 MR. BYRON WILLIAMS: If I -- if I may
16 speak. As I understand My -- My Learned Friend's
17 comment, he's aware that the Coalition, at the Board's
18 reque -- request, is -- has three (3) outstanding
19 undertakings, two (2) today, and then the more
20 extensive one yesterday. We'll certainly file that
21 within the evidentiary proceeding.

22 I believe the CPLA is request -- or is
23 saying that they may be requesting the right to
24 provide additional comment. I will make our position
25 clear from the outset. If -- if the CPLA is seeking

1 an opportunity to respond to the evidence as it is on
2 the record at the close of the hearing and to make
3 legal or closing argument submissions, that is not an
4 issue for us.

5 If they are seeking to introduce
6 evidence in response, that would be problematic, from
7 our perspective, and for the process's perspective.
8 And I say that particularly because the driver of our
9 first undertaking is information that was a
10 presentation. We warned about this in our opening
11 statements.

12 We found out after the presentation
13 that the presenter was paid for by the -- or paid to
14 come by the CPLA and her time was compensated. And so
15 we did not have an opportunity in the process to test
16 the qualifications or the reli -- reliability, so it
17 is really extraordinary.

18 Normally we wouldn't be asked to
19 respond. But, as the Chair -- Chairperson Gosselin
20 noted, it was anchored in his mind. And so we -- our
21 client does appreciate the opportunity to respond to
22 the undertaking.

23 But, from our perspective, if a party
24 comes, doesn't follow the -- the evidence route,
25 brings a presenter and kind of tilts -- tilts the

1 dialogue, its -- it is, from our client's respectful
2 submission, inappropriate to try and file additional
3 evidence, again when we've never had a chance to test
4 this witness. We would have loved that opportunity.

5 We -- we believed -- and so that's
6 where our client is coming from. And it may be that
7 they review our material tomorrow and thing, well,
8 that's really thoughtful, and we'll just endorse it.
9 I'm -- in fact, I expect that. But what I think I'm
10 hearing from My Friend is that they may seek an
11 opportunity, and -- and if they will, the Board -- the
12 Board can make its determinations.

13 But I did want to make -- if it is an
14 effort to put in evidence when there's not even an
15 witness that we -- in the hearing, then that is
16 problematic for us.

17 MR. NORM BISHOP: Well, in the rare
18 case that we may not agree with the -- the material,
19 we -- we won't seek to put in new evidence, just
20 comment on what we haven't seen yet and -- and just
21 provide our input. But it -- it may not be required.
22 I just wanted to give the -- the comment, just in
23 case.

24 THE PANEL CHAIRPERSON: Okay, thank
25 you. Thank you. We'll proceed as such. Now I'd like

1 to call upon Ms. Dilay, who's going to introduce the
2 panel. And then Mr. Christle will swear them in.

3

4 COALITION PANEL 2:

5 BRANDY GETTY, Sworn

6 MILAGROS DARAMAN, Affirmed

7 DEENA WICHERT, Affirmed

8

9 EXAMINATION-IN-CHIEF BY MS. KATRINE DILAY:

10 MS. KATRINE DILAY: Thank you very
11 much, Mr. Christle. So as -- as Madam Chair stated,
12 we do have a panel of three (3) consumers present with
13 us today, and we're very honoured and fortunate that
14 they accepted to come and tell us their story.

15 So we know that, you know, we did have
16 some difficulty in identifying individuals who were
17 willing to kind of come forward and give their
18 stories. So once again, we're very fortunate that the
19 three (3) of them agreed to -- to come and answer some
20 questions for us.

21 We did want to let the -- the panel, as
22 well as others know that in preparation for today's
23 hearing, we did not focus -- we really focussed on the
24 consumer's lived experience, their stories, and that's
25 what they would like to share today.

1 What we learned from the experience in
2 doing a couple of focus groups in preparing our
3 evidence for this hearing was that going through some
4 of the material is -- can be quite difficult and time
5 extensive. For example, alternatives to payday loan
6 models.

7 So we just wanted to -- to let everyone
8 know here, including the panel, that -- that it was
9 not a focus of our preparation with the consumer
10 panel, and it was really more on their live -- lived
11 experience and their story.

12 So I do have some questions for -- for
13 the -- the consumers here that we have today. So what
14 we'll -- what my plan was, if that is okay with the
15 Board, would be to go through each consumer
16 individually, ask them a series of questions, and then
17 after that, we could open it up to -- to other
18 questions.

19 So I did discuss with -- with the --
20 the members of the panel here, and Ms. -- Ms. Daraman
21 has agreed that she's okay with going first. So if
22 it's okay with you, Ms. Daraman, you can turn on your
23 mic and I will ask you a few questions.

24 So, Ms. Daraman, thank you for being
25 with us today. We really appreciate it. So the first

1 question I have for you is: When is the last time
2 that you took out a payday loan?

3 MS. MILAGROS DARAMAN: Today's April.
4 I think February.

5 MS. KATRINE DILAY: Okay. About how
6 long have you been taking out payday loans?

7 MS. MILAGROS DARAMAN: I went there if
8 I need it.

9 MS. KATRINE DILAY: Okay.

10 MS. MILAGROS DARAMAN: Let's say, in a
11 year, I came there four (4) or five (5) times.

12 MS. KATRINE DILAY: Okay. So in one
13 (1) year, about four (4) or five (5) times?

14 MS. MILAGROS DARAMAN: Yeah.

15 MS. KATRINE DILAY: And how long have
16 you been doing that in your life? Has it been a few
17 years, less than that?

18 MS. MILAGROS DARAMAN: A few years.

19 MS. KATRINE DILAY: A few years. Do
20 you know about how many years?

21 MS. MILAGROS DARAMAN: Okay, since I'm
22 retired, it's not enough what I'm carrying and then
23 I'm short of money. I went there and get some money
24 to have. I'm retired around seven (7) years -- years
25 exactly what's that...

1 MS. KATRINE DILAY: So you've been
2 retired for about seven (7) years, you said?

3 MS. MILAGROS DARAMAN: Yeah.

4 MS. KATRINE DILAY: Okay.

5 MS. MILAGROS DARAMAN: Yeah.

6 MS. KATRINE DILAY: And so you've been
7 taking out payday loans while you've been retired,
8 that's what you -- you stated?

9 MS. MILAGROS DARAMAN: Yeah, once in a
10 while, yeah.

11 MS. KATRINE DILAY: And did you take
12 any payday loans before you were retired?

13 MS. MILAGROS DARAMAN: When I'm still
14 working, yes.

15 MS. KATRINE DILAY: And I think you've
16 already -- you've already answered this, but how often
17 about -- approximately, do you take out payday loans?

18 MS. MILAGROS DARAMAN: Because I -- I
19 know everybody knows I'm from Philippines. When my
20 family back home needs money and my pay is not right
21 on time to ask, and they need help, I go and borrow
22 some money from there.

23 MS. KATRINE DILAY: And was that
24 mostly when you were working or when --

25 MS. MILAGROS DARAMAN: When I'm

1 working.

2 MS. KATRINE DILAY: When you were
3 working. And since you've been retired, what's the
4 reason for taking out payday loans?

5 MS. MILAGROS DARAMAN: I need for my
6 pleasure sometimes when I go with my friend out.

7 MS. KATRINE DILAY: Any other reasons?

8 MS. MILAGROS DARAMAN: Reasons? Oh,
9 to have money, just to have money.

10 MS. KATRINE DILAY: Okay. And what is
11 your source of income currently?

12 MS. MILAGROS DARAMAN: Just the end of
13 the month.

14 MS. KATRINE DILAY: Okay. And what is
15 it? What is --

16 MS. MILAGROS DARAMAN: Old age.

17 MS. KATRINE DILAY: Okay. It's old
18 age pension?

19 MS. MILAGROS DARAMAN: Yeah.

20 MS. KATRINE DILAY: And how often do
21 you receive your income?

22 MS. MILAGROS DARAMAN: Every end of
23 the month.

24 MS. KATRINE DILAY: Okay. And before
25 you were retired, what was the income that you would

1 use to take out payday loans?

2 MS. MILAGROS DARAMAN: Well, when I
3 left work, I do some cleaning business. And then
4 after that, when my daughter get kids, a little bit
5 hard for everything I'm doing just to look after my
6 grandson.

7 MS. KATRINE DILAY: Okay. Currently
8 or while you were working, did you ever have more than
9 one (1) loan at a time?

10 MS. MILAGROS DARAMAN: No. Just only
11 one.

12 MS. KATRINE DILAY: Okay.

13 MS. MILAGROS DARAMAN: It's not
14 allowed.

15 MS. KATRINE DILAY: And how -- what
16 proportion or what amount do you usually take out?

17 MS. MILAGROS DARAMAN: Well, for now,
18 I only have a little amount. I would say a hundred
19 sixty (160). That's my minimum amount of a payday
20 loan.

21 MS. KATRINE DILAY: And that's what
22 you usually take out?

23 MS. MILAGROS DARAMAN: Yeah, yeah.

24 MS. KATRINE DILAY: Okay. Have you
25 ever taken out a payday loan on the internet?

1 MS. MILAGROS DARAMAN: No.

2 MS. KATRINE DILAY: Have you ever
3 heard of taking out a payday loan on the internet?

4 MS. MILAGROS DARAMAN: I don't
5 remember that I -- no, I don't know about the
6 internet.

7 MS. KATRINE DILAY: If payday loans
8 were not available, if that was not an option, what
9 would you do?

10 MS. MILAGROS DARAMAN: Nothing.
11 Nothing. If I want to go out with some friends and I
12 don't have money, if I ask my daughter if she can lend
13 me, fine, but if it's not, stay home, I guess.

14 MS. KATRINE DILAY: And how did you
15 first learn about payday loans? Like the first time
16 you went, where did you -- where had you heard about
17 it?

18 MS. MILAGROS DARAMAN: A friend.

19 MS. KATRINE DILAY: Okay. A friend
20 who had -- who had used payday loans?

21 MS. MILAGROS DARAMAN: Dan (phonetic).

22 MS. KATRINE DILAY: Okay. Have you
23 ever used any other service apart from a payday loan
24 that they would offer?

25 MS. MILAGROS DARAMAN: No.

1 MS. KATRINE DILAY: If we just go back
2 to the reason that you take loans, so now that you're
3 retired, you -- you touched upon this a little bit,
4 but I'm wondering if we can go into a bit more detail
5 about what are the reasons that you -- that you would
6 take out a payday loan?

7 MS. MILAGROS DARAMAN: I have no
8 money, need some money.

9 MS. KATRINE DILAY: Need some money to
10 do what, for example?

11 MS. MILAGROS DARAMAN: To -- so that I
12 have money to go some social life, pleasure or
13 whatever, go to my friend, you know --

14 MS. KATRINE DILAY: M-hm.

15 MS. MILAGROS DARAMAN: -- out. I need
16 social life. Otherwise, I'd be crazy with my three
17 (3) grandson.

18 MS. KATRINE DILAY: Three (3)
19 grandsons. So in terms of the fees that you pay when
20 you take out a payday loan, are you aware of how much
21 you pay every time you -- you take out a loan?

22 MS. MILAGROS DARAMAN: Because I have
23 only a small amount that I can take on a payday loan.
24 For me, yeah, I can -- I can see that the interest
25 that I'm paying them, I can buy a sack of rice with

1 that.

2 MS. KATRINE DILAY: Okay. Yeah. So
3 just going to -- so you said that you do get -- you
4 receive your income once a month at the end of the
5 month.

6 MS. MILAGROS DARAMAN: M-hm.

7 MS. KATRINE DILAY: That's what you
8 stated, correct? And during the month, when would you
9 usually go to a -- a payday lender if you needed to
10 take out a loan?

11 MS. MILAGROS DARAMAN: Can I say the -
12 - can I say?

13 MS. KATRINE DILAY: Like when would
14 you go during the month?

15 MS. MILAGROS DARAMAN: Ah. A second
16 week.

17 MS. KATRINE DILAY: A second week?

18 MS. MILAGROS DARAMAN: A middle of the
19 month.

20 MS. KATRINE DILAY: Okay.

21 MS. MILAGROS DARAMAN: Yeah. No more
22 money.

23 MS. KATRINE DILAY: By the second week
24 --

25 MS. MILAGROS DARAMAN: Yeah.

1 MS. KATRINE DILAY: -- that's when you
2 would go. And would you pay -- when would you pay
3 back the loan?

4 MS. MILAGROS DARAMAN: Well, if I
5 don't spend it or something that I have a little bit
6 money more or enough to pay back, I pay back that
7 early to return the money so I -- they can reduce the
8 interest. But if it's, then wait for the money at the
9 end of the month.

10 MS. KATRINE DILAY: Okay. So it's one
11 or the other.

12 MS. MILAGROS DARAMAN: Yeah.

13 MS. KATRINE DILAY: Sometimes you pay
14 early, other times you will wait until the end. And
15 what would be the reason that you would pay early?

16 MS. MILAGROS DARAMAN: I guess to have
17 a little bit back from interest.

18 MS. KATRINE DILAY: So what do you
19 mean by that?

20 MS. MILAGROS DARAMAN: So when I back
21 it early, they reduce the interest.

22 MS. KATRINE DILAY: By how much
23 approximately?

24 MS. MILAGROS DARAMAN: Four dollars
25 (\$4).

1 MS. KATRINE DILAY: Okay. And is that
2 at one particular company that they do that?

3 MS. MILAGROS DARAMAN: Yeah. Yeah.

4 MS. KATRINE DILAY: Okay. Are you
5 able to say which one?

6 MS. MILAGROS DARAMAN: I'll say it?
7 Which payday loan?

8 MS. KATRINE DILAY: You can -- yeah,
9 you can say which one.

10 MS. MILAGROS DARAMAN: Money Mart.

11 MS. KATRINE DILAY: Okay. In terms of
12 -- so I just want to clarify just a couple things. So
13 currently how often do you take out payday loans?

14 MS. MILAGROS DARAMAN: Well, last
15 February I took payday loan.

16 MS. KATRINE DILAY: Okay. And let's
17 say in a one (1) year period, how many times would you
18 go?

19 MS. MILAGROS DARAMAN: Four (4) times,
20 five (5) times.

21 MS. KATRINE DILAY: Okay. Four (4) or
22 five (5) times. And that's pretty consistent since
23 you retired?

24 MS. MILAGROS DARAMAN: Yeah.

25 MS. KATRINE DILAY: And when you were

1 working, how often would that be?

2 MS. MILAGROS DARAMAN: Is not really
3 much on that time because I -- I am working.

4 MS. KATRINE DILAY: M-hm.

5 MS. MILAGROS DARAMAN: It is only
6 emergency I need it.

7 MS. KATRINE DILAY: So just for
8 emergencies --

9 MS. MILAGROS DARAMAN: Yeah.

10 MS. KATRINE DILAY: -- when you were
11 working? And what kind of emergencies were those?

12 MS. MILAGROS DARAMAN: Well, when my -
13 - I got a relatives or my sister back home ask for
14 help. That's why I need it.

15 MS. KATRINE DILAY: So to send --

16 MS. MILAGROS DARAMAN: Yeah --

17 MS. KATRINE DILAY: -- money home.

18 MS. MILAGROS DARAMAN: -- to send back
19 home.

20 MS. KATRINE DILAY: Okay. So, Ms.
21 Daraman, those would be all my questions for you. Do
22 you have anything that you'd like to add that I
23 haven't asked you?

24 MS. MILAGROS DARAMAN: Not that I
25 think of.

1 MS. KATRINE DILAY: All right.

2 MS. MILAGROS DARAMAN: I guess that's
3 all.

4 MS. KATRINE DILAY: So those are all
5 my questions for you. Now, it is up to the Board if -
6 - if you wanted to ask questions to Ms. Daraman now,
7 or I can keep going with the two (2) other panel
8 members, and we could do questions after? It's really
9 up to you.

10 THE PANEL CHAIRPERSON: I think we'd
11 just like to hear from everybody, and then we'll ask
12 our questions.

13 MS. KATRINE DILAY: Sounds great.

14 THE PANEL CHAIRPERSON: Thank you.

15 MS. KATRINE DILAY: Thank you. Thank
16 you, Ms. Daraman, and you can turn off your mic for
17 the moment. You can breathe a little bit.

18 So, Ms. Wichert, I'd like to turn to
19 you now, if that's okay.

20 MS. DEENA WICHERT: Yeah.

21 MS. KATRINE DILAY: Good afternoon.
22 Thanks also to you for being here today. We really
23 appreciate it. So the questions I'll ask you are very
24 similar to the ones I asked Ms. Daraman.

25 So, Ms. Wichert, when was the last time

1 that you took out a payday loan?

2 MS. DEENA WICHERT: Probably about two
3 (2) weeks ago.

4 MS. KATRINE DILAY: Two (2) weeks ago?
5 And about how long have you been taking out payday
6 loans?

7 MS. DEENA WICHERT: Probably for the
8 past five (5) years.

9 MS. KATRINE DILAY: And how often
10 would you say you take out payday loans?

11 MS. DEENA WICHERT: About three (3)
12 years ago it was probably like once -- at least once a
13 month if not like once per pay -- like pay period. So
14 once -- so sometimes -- like three (3) years back it
15 was about two (2) -- two (2) times a month for about -
16 - so it was like two (2) times a month and then for
17 the whole year probably -- I'd probably take out at
18 least ten (10).

19 MS. KATRINE DILAY: And that was about
20 three (3) years ago that --

21 MS. DEENA WICHERT: Yeah.

22 MS. KATRINE DILAY: -- you were doing
23 that?

24 MS. DEENA WICHERT: That -- that was
25 the most I was taking out then.

1 MS. KATRINE DILAY: And then since
2 then how does --

3 MS. DEENA WICHERT: They -- it's
4 decline because I was on mat-leave for a year, so I
5 had less income. And then I just returned back to
6 work so I kind of picked it up when I was still on
7 mat-leave, but it wasn't as much. And then I guess
8 I'm back into it again now that I'm working.

9 MS. KATRINE DILAY: And currently how
10 often would you be taking out payday loans?

11 MS. DEENA WICHERT: Probably line in -
12 - in a year like -- well, I just -- so it's only been
13 like half a year, and I've probably took out at least
14 six (6).

15 MS. KATRINE DILAY: So about once a
16 month --

17 MS. DEENA WICHERT: Yeah.

18 MS. KATRINE DILAY: -- since you
19 started working?

20 MS. DEENA WICHERT: Yeah.

21 MS. KATRINE DILAY: And when did you
22 return to work, just to clarify?

23 MS. DEENA WICHERT: At the end of
24 October 2015.

25 MS. KATRINE DILAY: Okay. So for the

1 last approximately six (6) months it's been about once
2 a month?

3 MS. DEENA WICHERT: Yeah.

4 MS. KATRINE DILAY: And while you were
5 on mat-leave you said that it did decline. So do you
6 have a sense of about how often you were taking out
7 loans at -- during that year?

8 MS. DEENA WICHERT: Probably like once
9 -- it was like one (1) loan per like three (3) months.

10 MS. KATRINE DILAY: Okay. One (1) per
11 three (3) months while you were on mat-leave.

12 MS. DEENA WICHERT: Yeah.

13 MS. KATRINE DILAY: And what was your
14 source of income while you were on mat-leave?

15 MS. DEENA WICHERT: EI.

16 MS. KATRINE DILAY: EI. And what is
17 your source of income now?

18 MS. DEENA WICHERT: I -- I work.

19 MS. KATRINE DILAY: So it's your --
20 your employment income. Okay. And before you went on
21 mat-leave, what was your source of income then?

22 MS. DEENA WICHERT: The same --

23 MS. KATRINE DILAY: Okay.

24 MS. DEENA WICHERT: -- same job.

25 MS. KATRINE DILAY: What would be the

1 main reason that you take out payday loans currently?

2 MS. DEENA WICHERT: I guess, just for
3 personal expenses. It's easy -- it's easier to borrow
4 from a payday lender.

5 MS. KATRINE DILAY: Easier to borrow
6 from a payday lender compared to --

7 MS. DEENA WICHERT: Like, a family
8 member or the bank, so.

9 MS. KATRINE DILAY: Okay. And during
10 -- while you were on mat leave were there different
11 reasons that you would take a payday loan?

12 MS. DEENA WICHERT: For those reasons,
13 because I was getting -- I was making less, so I have
14 to spend less. And so I was -- it was probably for,
15 like, emergencies or, yeah, if I just fell short from
16 cheque to cheque.

17 MS. KATRINE DILAY: Do you ever have
18 more than one (1) payday loan at a time?

19 MS. DEENA WICHERT: Yeah. When I
20 first started taking out payday loans there was at
21 least two (2) because that was before they changed
22 the, I guess, grace period from when you can -- from
23 when you pay to from the next payday loan you can take
24 out.

25 MS. KATRINE DILAY: And can you just

1 elaborate a little bit about your understanding of
2 that grace period?

3 MS. DEENA WICHERT: Like, from -- from
4 now or from bef -- because before, it was different
5 from now.

6 MS. KATRINE DILAY: What is it now,
7 from your understanding?

8 MS. DEENA WICHERT: When you pay it
9 back you have seven (7) days.

10 MS. KATRINE DILAY: And in the past
11 what was it?

12 MS. DEENA WICHERT: It was, like, once
13 you -- once you paid it back, you have that -- you
14 have to wait a day just to make sure it goes through.
15 And then you can re-loan right away.

16 MS. KATRINE DILAY: Okay. So
17 currently, when you do take out payday loan, what
18 amount or what proportion of your income would you be
19 taking out?

20 MS. DEENA WICHERT: I'm usually
21 allowed at least three hundred (300), like, for the
22 max. And I usually go for the two (2) because it's --
23 the payback is more reasonable and I can afford to pay
24 that back rather than if I took the full amount out.

25 MS. KATRINE DILAY: Do you know

1 approximately how much you pay in fees every time you
2 take out a loan?

3 MS. DEENA WICHERT: Not, like, on a
4 yearly basis. I do know, like, it does add up, but,
5 like, not the approximate numbers.

6 MS. KATRINE DILAY: In terms of, like,
7 a single loan, say you took out two hundred dollars
8 (\$200), do you know how much you would be paying in
9 fees for that one (1) loan?

10 MS. DEENA WICHERT: Oh, yeah. Yeah.

11 MS. KATRINE DILAY: How much would
12 that be?

13 MS. DEENA WICHERT: Well, I'd have to
14 pay back, I guess, two thirty-four (234).

15 MS. KATRINE DILAY: Okay.

16 MS. DEENA WICHERT: Yeah.

17 MS. KATRINE DILAY: So that would be
18 seventeen dollars (\$17) per hundred. Okay. Do you
19 find that there are any implications on your life from
20 taking out payday loans?

21 MS. DEENA WICHERT: Oh, yeah, for
22 sure. It's, like -- it's just a cycle. It's -- it's
23 like once you're in it's hard to get out.

24 MS. KATRINE DILAY: Are you able to
25 just elaborate on that a little bit?

1 MS. DEENA WICHERT: It's just a cycle.
2 It's -- lending money in general is not good. But if
3 you have a pay -- if you work for your money and you -
4 - you're able to, like, show for -- show for the money
5 and if you kee -- like, keep working and stuff, so.
6 But it's just, like, you borrow from one (1) cheque.
7 You have pay it back. Then you're short again, so --
8 and you're going back to borrow again, and so just,
9 like, a cycle that's going over and over.

10 MS. KATRINE DILAY: Okay, thank you.
11 Have you ever taken out a payday loan on the internet?

12 MS. DEENA WICHERT: No, not -- there's
13 this one (1) company though where I was -- I had two
14 (2) loans at once. And then I had to go for another
15 loan to -- to help pay for that one (1) loan back.
16 But it was a company where I went in. And then it was
17 I want -- went on their computer. And it was -- it
18 was -- it said, like, it was from Alberta, so I was
19 getting that loan from Alberta, but I was in -- in a
20 company here in Winnipeg, so.

21 MS. KATRINE DILAY: So you were at a
22 company in Winnipeg. And then you went on the
23 internet there?

24 MS. DEENA WICHERT: Yeah. And then it
25 said, like, it was loaning from Alberta.

1 MS. KATRINE DILAY: Okay.

2 MS. DEENA WICHERT: Yeah.

3 MS. KATRINE DILAY: If -- if you did
4 not have the option of taking out a payday loan what
5 would you do?

6 MS. DEENA WICHERT: Probably struggle
7 a little bit more. Or I guess I'd have to work -- try
8 and work more hours or -- I'm just not too sure.

9 MS. KATRINE DILAY: Okay. And how did
10 you first learn about payday loans?

11 MS. DEENA WICHERT: Just their -- it's
12 just how they advertise it, I guess. As long as
13 you're working and have a -- have a income, then it's
14 just that easy.

15 MS. KATRINE DILAY: So mostly the
16 advertisements?

17 MS. DEENA WICHERT: Yeah.

18 MS. KATRINE DILAY: Have you ever used
19 any other service that a payday lender would offer?

20 MS. DEENA WICHERT: The pre-paid I
21 guess Visa.

22 MS. KATRINE DILAY: Okay. And how
23 does that work?

24 MS. DEENA WICHERT: Usually like
25 because it works just like a credit card online. So

1 you put your -- your money onto there and then -- like
2 you put your own money and you load it through them.
3 And you use it how you please.

4 MS. KATRINE DILAY: Okay. When you go
5 into a -- a payday lending outlet, do you ever notice
6 if they are licensed?

7 MS. DEENA WICHERT: Not so much before
8 because I just didn't care, but I do now. It's
9 usually like on the front -- yeah, I do now, yeah.

10 MS. KATRINE DILAY: And for -- for
11 about how long have you been noticing that?

12 MS. DEENA WICHERT: Maybe -- maybe
13 like two (2) years.

14 MS. KATRINE DILAY: Okay. Just in
15 terms -- just a couple of questions of clarification.
16 The main reason that you take out payday loans, I
17 believe you stated that it was for personal reasons.
18 Can you elaborate just a little bit on that?

19 MS. DEENA WICHERT: Just -- yeah.
20 Like I said, it's just the cycle. Once I -- once you
21 borrow from it, it's just like you're used to
22 borrowing that money just to have that extra I guess
23 cashflow.

24 MS. KATRINE DILAY: And do you ever
25 find that you have any difficulties in paying back the

1 loan?

2 MS. DEENA WICHERT: I -- I wouldn't
3 say so much difficulties to pay it back. But then
4 that just brings me back to re -- re-loan again.

5 MS. KATRINE DILAY: Thank you very
6 much, Ms. Wichert. Those are all my questions for
7 you. But do you have anything to add that I did not
8 ask that you'd like to share?

9 MS. DEENA WICHERT: No.

10 MS. KATRINE DILAY: Okay. Thank you.

11 So, Ms. Getty, we can turn to you now.

12 So thanks so much for being here today. As I
13 mentioned to the other two (2), we really appreciate
14 your perspectives and hearing your story.

15 So again, the -- the questions I will
16 ask are quite similar. When was the last time that
17 you took out a payday loan?

18 MS. BRANDY GETTY: The last time I
19 took out a payday loan was about a year and a half
20 ago.

21 MS. KATRINE DILAY: Okay. And since
22 then, you have not taken out a loan?

23 MS. BRANDY GETTY: No.

24 MS. KATRINE DILAY: Okay. About -- so
25 starting about a year and a half ago, about how long

1 were you taking out payday loans?

2 MS. BRANDY GETTY: Well, I've only
3 taken out payday loans on two (2) separate occasions -
4 - well, two (2) separate times. The first time was
5 about seven (7) years ago, and I took out a few then.
6 And then I didn't take out any until a year half -- a
7 year and a half ago.

8 MS. KATRINE DILAY: So kind of two (2)
9 -- two (2) occasions that you took out payday loans.
10 And on those two (2) occasions, each time how many
11 payday loans would it have been?

12 MS. BRANDY GETTY: Maybe four (4) from
13 two (2) separate -- I had the two (2) major payday
14 loan companies here in Winnipeg. And I would just
15 take from both and then pay back, and then take from
16 both --

17 MS. KATRINE DILAY: Okay. And --

18 MS. BRANDY GETTY: -- or lend -- or
19 borrow, sorry.

20 MS. KATRINE DILAY: -- and so when you
21 say, "four (4)", would that have been four (4) about
22 seven (7) years ago and then another four (4) about
23 one (1) year and a half ago?

24 MS. BRANDY GETTY: Yeah.

25 MS. KATRINE DILAY: Okay. And those

1 two (2) kind of clusters of -- of loans, how long each
2 would they have lasted?

3 MS. BRANDY GETTY: A month.

4 MS. KATRINE DILAY: Okay. So about a
5 month where you were borrowing --

6 MS. BRANDY GETTY: Yeah.

7 MS. KATRINE DILAY: -- four (4) loans
8 at a time --

9 MS. BRANDY GETTY: Yeah.

10 MS. KATRINE DILAY: -- stopped, and
11 then four (4) again?

12 MS. BRANDY GETTY: Yeah.

13 MS. KATRINE DILAY: When you did
14 borrow from the -- the payday loans, what source of
15 income were you using?

16 MS. BRANDY GETTY: The first time I
17 borrowed, I was on social assistance. And the more
18 recent, I was -- I borrowed off of my paycheque.

19 MS. KATRINE DILAY: So employment
20 income?

21 MS. BRANDY GETTY: I was working,
22 yeah.

23 MS. KATRINE DILAY: And those two (2)
24 sources of income, that's what you used to take out
25 the loan?

1 MS. BRANDY GETTY: Yes.

2 MS. KATRINE DILAY: Okay. And when
3 you were taking out the loans, and if you can speak to
4 both of those times, what was the main reason that
5 drove you to take out those payday loans?

6 MS. BRANDY GETTY: Well, the main
7 reason and only reason was I had substance abuse
8 issues then, so that's why I took the loans out, to
9 support my habits at the time.

10 MS. KATRINE DILAY: Okay. Thank you.
11 At that time, did you ever have one (1) more -- one
12 (1) -- more than one (1) payday loan at a time?

13 MS. BRANDY GETTY: Yes, yeah.

14 MS. KATRINE DILAY: How many at a time
15 did you have?

16 MS. BRANDY GETTY: One (1) from each --

17 MS. KATRINE DILAY: Okay.

18 MS. BRANDY GETTY: -- company.

19 MS. KATRINE DILAY: One (1) from each
20 company?

21 MS. BRANDY GETTY: Yeah.

22 MS. KATRINE DILAY: And how did you --
23 so you said you had four (4). So how did that work
24 during those months?

25 MS. BRANDY GETTY: Well, I would

1 borrow from one (1), pay back, borrow again from the
2 other one (1), and borrow from one (1), pay it back,
3 borrow again.

4 MS. KATRINE DILAY: Okay.

5 MS. BRANDY GETTY: And I just didn't
6 pay back.

7 MS. KATRINE DILAY: Okay. And when
8 you did borrow, what amount or proportion of income
9 did you borrow?

10 MS. BRANDY GETTY: Well, when I wasn't
11 working it was very little. I was actually quite
12 shocked they borrow to people on social assistance, so
13 it was very little, a hundred dollars (\$100), I think.

14 MS. KATRINE DILAY: And then in terms
15 of when you were working?

16 MS. BRANDY GETTY: Oh, when I was
17 working I made quite a bit of money, so I think it was
18 five (5) -- four (4) or five hundred dollars (\$500)
19 they -- they offered, but I only took two (2).

20 MS. KATRINE DILAY: Okay. So you did
21 not take the maximum --

22 MS. BRANDY GETTY: No.

23 MS. KATRINE DILAY: -- that they
24 offered. Okay. Do you know what kind of fees you
25 were paying for the -- the payday loans you took out?

1 MS. BRANDY GETTY: I can't remember
2 the first time. It was a long time ago. But more
3 recent it was -- I think I paid thirty-four dollars
4 (\$34) on two hundred dollars (\$200).

5 MS. KATRINE DILAY: So it would have
6 been the seventeen dollars (\$17) per hundred --

7 MS. BRANDY GETTY: Yeah.

8 MS. KATRINE DILAY: -- that is the --
9 the rate now.

10 MS. BRANDY GETTY: Yeah.

11 MS. KATRINE DILAY: Do you have any
12 implications on your life from taking out payday
13 loans?

14 MS. BRANDY GETTY: Well, yeah, now
15 that -- those loans that I didn't pay back are on my
16 credit report, right, so they call me every day, but
17 I'm not in a financial situation to pay them back. I
18 lost my job. So I am on social assistance again now.

19 I don't think you asked that, but I'll
20 just tell you. So I -- I don't have the money to pay
21 that back right now.

22 MS. KATRINE DILAY: So currently you
23 still -- there are still some outstanding loans --

24 MS. BRANDY GETTY: Yes, there are.

25 MS. KATRINE DILAY: -- and they're --

1 okay. And they are trying to collect on that, that's
2 what you're --

3 MS. BRANDY GETTY: Yes, they are.

4 MS. KATRINE DILAY: Okay. Have you
5 ever taken out a payday loan on the internet?

6 MS. BRANDY GETTY: No.

7 MS. KATRINE DILAY: Have you -- did
8 you know that the internet was an option?

9 MS. BRANDY GETTY: I didn't even know
10 they existed, no.

11 MS. KATRINE DILAY: When you -- when
12 you did require a payday loan, did you ever consider,
13 you know, take -- putting money on your credit card
14 rather than the payday loan? Was that an option that
15 you considered?

16 MS. BRANDY GETTY: Well, in the
17 situation that I was in it -- that was the easiest
18 way. The easiest, fastest way to get money for --
19 especially for what I wanted it for. So, yes, I could
20 have went that route, but this was just easier to go
21 to the payday loans.

22 MS. KATRINE DILAY: And if payday
23 loans were not available or had not been available at
24 that time, what would you have done?

25 MS. BRANDY GETTY: I wouldn't have

1 taken them out if they weren't available. I -- I
2 don't think anyone would have borrowed me money at the
3 time, so. There was -- there would have been no other
4 resources for me.

5 MS. KATRINE DILAY: Okay. So would
6 you have gone anywhere else to borrow money, to -- to
7 find money at that point?

8 MS. BRANDY GETTY: What do you mean
9 though?

10 MS. KATRINE DILAY: Would there have
11 been any other options --

12 MS. BRANDY GETTY: No.

13 MS. KATRINE DILAY: -- if -- if payday
14 loan --

15 MS. BRANDY GETTY: No.

16 MS. KATRINE DILAY: How did you first
17 learn about payday loans?

18 MS. BRANDY GETTY: I think from a
19 friend.

20 MS. KATRINE DILAY: And have you ever
21 used any other service from a payday lender?

22 MS. BRANDY GETTY: A cheque -- cheque
23 cashing.

24 MS. KATRINE DILAY: Okay. And did you
25 ever notice if payday lenders are licensed when you go

1 into the outlet?

2 MS. BRANDY GETTY: No.

3 MS. KATRINE DILAY: That was not
4 something you -- you looked at. So I believe those
5 would be all my questions for you, Ms. Getty. Do you
6 have anything else that you'd like to add?

7 MS. BRANDY GETTY: Maybe. You didn't
8 ask me if I would ever -- I wouldn't use them again.
9 If I had an emergency today, I would exhaust other
10 options before I went to -- to a payday lender.
11 They're quite expensive. So I would like save money,
12 or ask a friend, or something.

13 And I've also changed my -- the way I
14 look at money and the way I spend money. So, no, I --
15 I would never use a payday lender ever again.

16 MS. KATRINE DILAY: Okay. Thank you
17 very much. Ms. Wichert, I just have one (1) more
18 question, if it's okay if I go back to you just for
19 one (1) last question. I did mean to ask you this and
20 I forgot.

21 So I'm just wondering, and it's very
22 similar to a question I asked Ms. Getty, but did you
23 ever think about instead of going to payday loans, to
24 using a credit card?

25 MS. DEENA WICHERT: I don't have -- I

1 don't have credit, so it's just as bad as -- yeah,
2 having no credit is just -- is just bad credit there,
3 so I didn't have anything to kind of establish my
4 credit to go to a bank or to get a credit card. But,
5 yeah, if -- if I did have that choice, like if -- or
6 even if I had something to establish my credit then
7 for sure.

8 MS. KATRINE DILAY: Okay. Thank you
9 very much.

10 So those are all my questions for the -
11 - the consumer panel. Before I stop talking, I just
12 wanted to introduce a few people that we have with us
13 today in the room.

14 So Gloria Desorcy from CAC (Manitoba)
15 is in the back row. She is from, yeah, the Consumers
16 Association of Canada Manitoba branch. And then we
17 also have Lori Baldwin from CAC (Manitoba) who's
18 sitting in the audience over there. We also have Dave
19 Mouland and Kristi Stubbings from Winnipeg Harvest
20 also sitting in the back row. We're very happy that
21 they are able to join us today. And finally we also
22 have Nikki Weselake, I think I'm pronouncing that
23 right, and she is a University of Winnipeg student who
24 also worked on the -- on some research for us, and
25 she's sitting in the audience as well.

1 So I just wanted to introduce those --
2 these very helpful individuals. Thank you very much.

3 THE PANEL CHAIRPERSON: Thank you very
4 much, Ms. Dilay, and thank you very much, panel. That
5 was very informative. And I'm going to ask our panel
6 here now if the

7 MR. REGIS GOSSELIN: I -- I guess the
8 question I have for the three (3) of you is: You each
9 have a bank account, or credit union account?

10 MS. DEENA WICHERT: Yes, a bank
11 account.

12 MR. REGIS GOSSELIN: Yeah.

13 MS. BRANDY GETTY: Yes.

14 MS. MILAGROS DARAMAN: Yes.

15 MR. REGIS GOSSELIN: And so have you -
16 - have you ever taken out a loan with the bank or
17 credit union as opposed to going to a payday lender?
18 Have you -- have you considered using your bank
19 account or using your bank services to -- to get the
20 loans you need rather than a payday loan?

21 MS. DEENA WICHERT: No, I just have my
22 bank account for my pay cheques to go into, and I
23 guess that's all they see but -- yeah, they don't like
24 recommend anything for me, or I guess they don't have
25 anything for me that -- like they have the prepaid --

1 where if I give them money -- if I give them money I
2 can -- that's how I can get a credit card, but it's
3 not like I have three hundred dollars (\$300) to give
4 to them all at once to get a prepaid card from them.

5 MS. MILAGROS DARAMAN: Oh -- oh, for
6 me on my case there, I'm not going to go -- I didn't
7 go to the bank to ask a loan or something because if I
8 will go to the bank and ask loan I would get only a
9 larger amount, and then it's a long time to pay. But
10 meanwhile if I go in the Payday Loan, I just get only
11 a little amount of money and I pay it back -- I mean,
12 not -- not even a month. So that's why I use the
13 Payday Loan.

14 MS. BRANDY GETTY: I have bad credit,
15 so.

16

17 (BRIEF PAUSE)

18

19 MS. ANITA NEVILLE: Let me add my
20 thanks to the three (3) of you for coming. We
21 certainly appreciate hearing from you.

22 Ms. Getty, you were adamant that you
23 would never go to a payday loan again. Can you tell
24 us more about why you say that, and why you say it
25 with such conviction?

1 MS. BRANDY GETTY: Well, just -- I can
2 only speak from my experience. Maybe my partner's,
3 too. It seems to me that they kind of take advantage
4 of the people who don't have good credit, and can't go
5 to a bank. They're -- the rates are much higher than
6 a bank loan, or -- or a credit card.

7 And just in my case, I've -- I've taken
8 money management courses now, and I work with CFCS so
9 I look at money differently, and I spend my money
10 differently now. So me personally I -- I'm hoping I
11 won't get into situations where I'm going to need
12 money. Like I have savings now. I never had that
13 before.

14 I just -- in my personal opinion, they
15 take advantage of people who are not in a better place
16 to go borrow money at a lower rate.

17 MS. SUSAN PROVEN: I'll -- I'll start
18 with you, Ms. Wichert. And I heard you say that you
19 realized it was a cycle. You realized this is
20 something that's happening -- happening monthly and
21 you would love to, it sounded like, break free of that
22 responsibility.

23 So I just wondered if you might be
24 interested in -- I mean, I don't know whether it's
25 possible or not, but obviously, that if you only owe

1 two hundred and thirty-four dollars (\$234) back per
2 month -- is that what you're obligated to, to go back
3 and given them two hundred and thirty-four (\$234) a
4 month? Is that it?

5 MS. DEENA WICHERT: It's not that I'm
6 obligated. It's just that, because I borrowed --

7 MS. SUSAN PROVEN: Yes.

8 MS. DEENA WICHERT: -- that, I'm
9 paying that back. But then -- so I'm short now that
10 two hundred and thirty-four dollars (\$234) again.

11 MS. SUSAN PROVEN: So you've actually
12 -- you're short in your budgeting --

13 MS. DEENA WICHERT: Yeah.

14 MS. SUSAN PROVEN: -- more than two
15 hundred and thirty-four dollars (\$234), right? So to
16 crawl out of this is very difficult. I can appreciate
17 that. That's a lot of money because it's, like, twice
18 as much, isn't it? Is it more like five hundred (500)
19 then by the time you're trying to get free?

20 I'm just trying to get a picture in
21 dollars what we're trying to overcome. And so if it
22 was the two hundred and thirty-four (234) that you
23 borrowed plus the two hundred and thirty-four (234)
24 out of your future pay cheque, the one that you just
25 got, you have to turn it over, it's a lot of money.

1 So I guess what I'm asking is, if you
2 could, if there was some way that you could get out of
3 this obligation and start fresh again, then that might
4 mean that you had that interest in your pocket because
5 you wouldn't be giving it to the lenders, you'd be
6 keeping it yourself and maybe, as some people would
7 do, you would build a savings account with the thirty-
8 four (34) bucks that you would have spent.

9 Would you be interested in getting to
10 that if you could?

11 MS. DEENA WICHERT: Oh, yeah.

12 MS. SUSAN PROVEN: Is that -- that's a
13 goal?

14 MS. DEENA WICHERT: Now that I have a
15 daughter myself, for sure.

16 MS. SUSAN PROVEN: Right. Because one
17 (1) of the things we -- we have been discussing here
18 but, of course, there's no decision is a chance for
19 people to pay into an installment plan or to pay on a
20 longer time frame, it would mean thinking beyond the
21 next month, but to start a plan of getting to the
22 point where they actually can free themselves of the
23 loan and start from scratch again. And that's
24 something that we might think about.

25 But how far out would you be willing to

1 sort of plan? Could you think about planning more
2 than one (1), two (2), three (3), four (4) months?
3 Would that be something that you can envision --

4 MS. DEENA WICHERT: Well --

5 MS. SUSAN PROVEN: -- in order to get
6 to your goal?

7 MS. DEENA WICHERT: Oh, yeah, for
8 sure. Then I'd probably for sure be taking less
9 payday loans out than I usually do.

10 MS. SUSAN PROVEN: M-hm.

11 MS. DEENA WICHERT: Yeah.

12 MS. SUSAN PROVEN: And with a savings
13 you might be able to start your own little lending
14 thing because you'd be borrowing from yourself, from
15 your own savings.

16 MS. DEENA WICHERT: Yeah, I would,
17 yeah.

18 MS. SUSAN PROVEN: Yeah. Well, thank
19 you for that. I just wanted to explore that with you.
20 And then I was going to go over to -- to Ms. Gill
21 (sic) -- Getty, Ms. Getty. And you had said something
22 about credit and you needed to get a credit rating.
23 You want a credit rating and you want it not to be one
24 that the banks would refuse or say that you don't have
25 a credit rating or it's a bad credit rating?

1 MS. BRANDY GETTY: I don't remember
2 saying that, but, okay.

3

4 (BRIEF PAUSE)

5

6 MS. SUSAN PROVEN: Who? Oh, the one
7 in the middle. I -- I took notes. And it just said
8 that you said the loans -- I'm -- this is under Ms.
9 Getty. Maybe I didn't copy it down right. But you
10 said you can't really go to a bank because you don't
11 have a credit rating and you didn't pay back the last
12 loan. Now --

13 MS. BRANDY GETTY: Yeah. I'm sorry,
14 yes.

15 MS. SUSAN PROVEN: Yeah. So then I
16 guess that damaged you in terms of your credit rating.

17 MS. BRANDY GETTY: Absolutely, yeah.

18 MS. SUSAN PROVEN: So one (1) of the
19 things that it would be nice to see is you being able
20 to build a credit rating somewhere somehow. And
21 although I'm not suggesting you go back to the payday
22 lenders, but I'm wondering if -- if the payday lenders
23 in some way could establish credit ratings or give you
24 at least acknowledgment for paying on time and to help
25 you build a credit rating, I'm not saying you'd be

1 interested in going back, but do you think that would
2 be a good thing for people that are in a struggle like
3 you were in?

4 MS. BRANDY GETTY: Yeah, I think so.
5 I -- and I also heard they don't report, right, to the
6 -- to the -- so maybe that would be a good thing if
7 they did for the nice people who do pay back the
8 loans, so, yeah.

9 MS. SUSAN PROVEN: M-hm. Because we
10 know that --

11 MS. BRANDY GETTY: Credit, yeah.

12 MS. SUSAN PROVEN: We know many, many
13 payday lenders borrow for an emergency and they do --

14 MS. BRANDY GETTY: Yes.

15 MS. SUSAN PROVEN: -- pay back --

16 MS. BRANDY GETTY: Yeah.

17 MS. SUSAN PROVEN: -- but there's no
18 record. And that is an issue because the person is
19 responsible, but there's no note of that. So thank
20 you.

21 MR. ALLAN MORIN: This is for Ms.
22 Wichert. You mentioned that on occasion, you receive
23 your monies and it's put on a credit card?

24 MS. DEENA WICHERT: Yeah.

25 MR. ALLAN MORIN: Is there an extra

1 charge for doing that?

2 MS. DEENA WICHERT: I believe so, but
3 it -- I believe if you use the money right away, then
4 you don't get charged.

5 MR. ALLAN MORIN: Okay. Any idea what
6 that charge might be?

7 MS. DEENA WICHERT: Maybe -- it's only
8 a few dollars, because -- or else I wouldn't have -- I
9 wouldn't be interested if they charged me a whole lot.

10 MR. ALLAN MORIN: Okay. And do they
11 give you an option between the credit card and cash?

12 MS. DEENA WICHERT: Oh, yeah. They
13 actually -- yeah. They ask if you want it loaded on
14 your pre -- on a pre-paid card, but I always -- yeah.
15 So they do have that option.

16 MR. ALLAN MORIN: Okay. Good. Thank
17 you.

18 THE PANEL CHAIRPERSON: Well, thank
19 you very much. I think those are the questions from
20 the panel at this time. And were you going to cross-
21 examine?

22 MS. KATHLEEN MCCANDLESS: I'm not sure
23 if Ms. Ko has any questions for the consumer panel.

24 MS. PATTY KO: I don't know if this is
25 a -- a question more for the consumer panel or just

1 for counsel. I just wanted to -- for -- for record
2 purposes, just a -- a brief description as to how our
3 -- our panel members here, and thank you for being
4 here, came to be here and how they were selected or --
5 or that process.

6

7

(BRIEF PAUSE)

8

9 MS. KATRINE DILAY: Sorry. Just in
10 terms of -- of how -- you know, how we -- we came
11 about to -- to get in touch with our participants, I
12 will let Mr. Williams answer.

13 MR. BYRON WILLIAMS: We're stressing
14 my memory, here. I believe the original effort, the -
15 - our clients, first of all, are very grateful for
16 this opportunity. They believe very strongly that
17 it's important for the Public Utilities Board to hear
18 from consumers.

19 So the -- the first effort at
20 recruitment was that each of the individual agencies
21 who are our clients, being CFCS, Winnipeg Harvest, and
22 the Consumers' Association, went to try and identify
23 payday loan individuals from their -- from the -- the
24 people that they serve or that they deal with, or, in
25 the case of CAC Manitoba, that they deal with in focus

1 groups.

2 And the clients didn't experience
3 challenges in getting consumers to come forward.
4 There's -- we have three (3) very brave individuals
5 here who are willing to -- to share their stories, and
6 we're very grateful.

7 Two (2) of the client organizations
8 were unable to -- they talked to lots of folks, but
9 they just were not able to get them to -- to come
10 forward.

11 There were three (3) identified by one
12 (1) of our client organizations, but as they learned
13 that the record would be public, that left them a
14 little bit uncomfortable.

15 And -- and then for the purposes of our
16 second focus group, we cannot share the name of the
17 community organization that assisted us. But it was a
18 -- it was a -- a different community organization.
19 And they were kind enough to -- to help us to identify
20 these witnesses.

21 So their -- their source from the
22 community and -- and individuals who've dealt with
23 whether a consumers' group or a different kind of
24 organiz -- organization.

25 And I just need to check with Ms. Dilay

1 that I've accurately reflected -- yes, she -- she's
2 given me the nod, so I think I've accurately
3 reflected.

4 MS. PATTY KO: Thank you.

5 MR. BYRON WILLIAMS: And I thank CPLA
6 for the question.

7 MS. PATTY KO: Okay. Thank you. And
8 thank you once again for sharing your stories with us.

9 THE PANEL CHAIRPERSON: Ms. Neville
10 has a quest -- one (1) more question for you.

11 MS. ANITA NEVILLE: Ms. Getty, I'm not
12 -- don't mean to pick on you or focus on you, but I
13 was struck by your comment, and I hope this isn't
14 intruding too much. I was struck by your comment that
15 you have learned to deal with money differently, that
16 you live with money differently now.

17 Could you tell us how that came about?
18 Did -- did you work with an organization or...?

19 MS. BRANDY GETTY: Yes, I did. I
20 spent money pretty poorly. Lik -- as I said, I -- I -
21 - now I'm on social assistance, so I had to learn the
22 difference between -- because I was struggling, and I
23 had to learn the difference between wants and needs,
24 and what's a luxury and what's a necessity, and stuff
25 like that.

1 And some changes were really hard to
2 make, but I did it, because there's things that --
3 like I said, they're necessities like food, and
4 shelter, and, you know. So working with -- can I say
5 the organization? I -- I -- sorry.

6 MS. KATRINE DILAY: You can say -- you
7 can share your story.

8 MS. BRANDY GETTY: Yeah, so working --
9 I worked with SEED and took their money management
10 course and it was so good. It was just so eye-
11 opening. And I finally have enough money now to get
12 by. You know, my family is fed, and my son has
13 diapers, and all the things that we need.

14 Like, I smoked cigarettes. I quit
15 smoking because it's definitely not a necessity. And
16 it just -- it really just opened my eyes about how I
17 was spending my money. Does that answer your
18 question?

19 MS. ANITA NEVILLE: It does. Well,
20 just one (1) -- how did you get to SEED, to -- to do
21 this?

22 MS. BRANDY GETTY: Well, I heard about
23 their saving circle. I heard about their saving
24 circle. And then my attitude at first wasn't the
25 best, so I thought, Oh, I'll save two hundred and

1 fifty (250) bucks, because they -- you save two
2 hundred (200), and they give you seven hundred and
3 fifty (750).

4 So I thought, I'll go to their silly
5 ten (10) classes if they'll give me seven hundred and
6 fifty (750) bucks, but I really learned a lot, like,
7 more than I could ever -- I had no idea that I was
8 going to learn so much from this course. So I
9 recommend it. It's very good.

10 MS. ANITA NEVILLE: And I just want to
11 echo the thanks of others too that you came here
12 today, because it really does give us a lot of insight
13 into -- or another insight into the industry, so thank
14 you.

15 THE PANEL CHAIRPERSON: Thank you
16 again. I'm going to turn -- turn it over to Ms.
17 McCandless right now.

18

19 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

20 MS. KATHLEEN MCCANDLESS: Thank you.
21 And for the panel, my name is Kathleen McCandless, and
22 I'm counsel to the Board in this review, and I do have
23 some questions for you.

24 And I'm -- for the purposes of
25 efficiency, what I think I do is I have questions that

1 I would direct to each of you. I'll ask the question,
2 and then I ask of among the three (3) of you, you're
3 all welcome to respond, and then I may have some
4 specific questions for each individual panel member
5 after that, so.

6 And so this follows a little bit on
7 Board member Gosselin's question about dealings with
8 banks. So I understand that you have had some
9 dealings with -- with traditional financial
10 institutions such as banks or credit unions.

11 That would be the case for all of you?
12 You can leave your microphones on. And for the
13 record, you have to actually say yes or no, so.

14 MS. DEENA WICHERT: Yes.

15 MS. MILAGROS DARAMAN: Yes.

16 MS. BRANDY GETTY: Yes.

17 MS. KATHLEEN MCCANDLESS: And are you
18 able to give me a sense as to what types of dealings
19 you've had with the banks? So has it just been a bank
20 account, or have you had any other credit products
21 through trad -- traditional banks?

22 MS. MILAGROS DARAMAN: I just have
23 account, like checking or savings.

24 MS. BRANDY GETTY: I've had a bank
25 account, overdraft, credit card.

1 MS. DEENA WICHERT: Yeah, I've had
2 chequing, savings, and overdraft as well.

3 MS. KATHLEEN MCCANDLESS: Now, I -- I
4 think that I've gotten a sense from listening to your
5 direct evidence, but maybe just ask again, Ms. Getty,
6 I'm quite confident of what your answer will be, but
7 my question is: Do you like using payday lenders?

8 MS. BRANDY GETTY: No.

9 MS. DEENA WICHERT: I -- I personally
10 don't, no. If I had other options, I probably would
11 choose -- choose my other options over the payday
12 lenders.

13 MS. MILAGROS DARAMAN: Well, for my
14 case, and I'm talking about myself, is if the interest
15 would go lower than that, probably I will still go.
16 Yeah, I will still go.

17 MS. KATHLEEN MCCANDLESS: So as I'm
18 understanding it then, Ms. Wichert, you would -- you
19 preference would be to stop using payday lenders?

20 MS. DEENA WICHERT: Yeah.

21 MS. KATHLEEN MCCANDLESS: And what has
22 prevented you from stopping doing so?

23 MS. DEENA WICHERT: Well, I just -- I
24 just don't have credit, and I don't have a way to
25 establish my credit, so.

1 MS. KATHLEEN MCCANDLESS: Now, for all
2 of the panel members, I'd like to get a sense of a
3 typical transaction from start to finish. So how long
4 does the applica -- the process take, start to finish?

5 MS. BRANDY GETTY: The initial one or
6 the ones following? Because the initial one takes a
7 little bit longer, like when you first go to a payday
8 lender, it will take a little bit longer than the
9 following times you go. It's much shorter.

10 MS. KATHLEEN MCCANDLESS: Perhaps if
11 you're comfortable, you can describe both
12 transactions.

13 MS. BRANDY GETTY: So you -- when you
14 first go in to take out a -- a payday loan, you need
15 to provide a direct deposit slip -- and I think
16 they're a little bit different for each institution,
17 but this is a general -- these are the general
18 documents you need. But a direct deposit slip or void
19 cheque...

20 MS. DEENA WICHERT: You know, they
21 need to take a picture of you, your ID. I don't know
22 about your, address though.

23 MS. BRANDY GETTY: They need, like, a
24 bank statement of -- for the past month or two (2)
25 months from your bank.

1 MS. DEENA WICHERT: So the first
2 initial visit would take longer than the actual visit
3 afterwards, because then they have everything on file
4 already. So the visits afterwards are -- they could --
5 - maybe, like, ten (10), fifteen (15) minutes.

6

7

(BRIEF PAUSE)

8

9

10 MS. KATHLEEN MCCANDLESS: When you go
11 to take out a loan at -- at a payday lender, are you
12 ever asked if you have other open loans at other
13 payday lenders?

14 MS. DEENA WICHERT: No.

15 MS. BRANDY GETTY: No.

16 MS. MILAGROS DARAMAN: No. No.

17 MS. KATHLEEN MCCANDLESS: And does
18 someone walk through the documents with you when you
19 get that initial payday loan?

20 MS. BRANDY GETTY: Yes.

21 MS. DEENA WICHERT: Like, the --

22 MS. MILAGROS DARAMAN: The bank
23 statement.

24 MS. DEENA WICHERT: -- like, the
25 documents you have to sign, or --

1 MS. KATHLEEN MCCANDLESS: Yes.

2 MS. DEENA WICHERT: Actually, they --
3 I guess if you're a regular customer, they stop doing
4 that after a while.

5 MS. KATHLEEN MCCANDLESS: So
6 initially, someone would explain the documents to you,
7 but when you return --

8 MS. DEENA WICHERT: They know, like,
9 you're a repeater, or, like, you come back -- you keep
10 coming back, then they actually just, Sign on the
11 dotted line, type thing.

12

13 (BRIEF PAUSE)

14

15 MS. KATHLEEN MCCANDLESS: And I
16 believe Ms. Dilay asked you some questions about the
17 fees that you pay for the payday loans. Do you know
18 what the annual percentage rate is on a payday loan?

19 MS. MILAGROS DARAMAN: When you borrow
20 a hundred dollars (\$100), the interest there is
21 seventeen dollars (\$17), so.

22 MS. KATHLEEN MCCANDLESS: So that --
23 that's what you would consider to be the interest rate
24 for the loan for --

25 MS. MILAGROS DARAMAN: For a hundred.

1 MS. KATHLEEN MCCANDLESS: Does anyone
2 else have any -- anything to add to that?

3 MS. MILAGROS DARAMAN: I think all --
4 all the payday loan is like that.

5 MS. KATHLEEN MCCANDLESS: Now, I
6 appreciate I may be putting you on the spot a little
7 bit here, but I'd like you to have a look at
8 something. So, Diana, could you, please, pull up CAC
9 Tab 6b, page 13? And on the screen in front of you,
10 you're going to see a table. Just scroll down, try to
11 fit the table into full screen here.

12 And this follows somewhat on the
13 question that Board Member Proven had for you. What
14 you see in front of you is a table comparing different
15 loan products. So you'll see the characteristics are
16 on the left-hand side, there. The next column is a
17 payday loan commonly found in Manitoba.

18 So you've got the loan size of fifteen
19 hundred (1,500) or less for a duration of two (2)
20 weeks. Repayment is the one (1) time, so you -- you
21 pay everything at once. Approval process says about
22 an hour for the first time and then less for the
23 second time. There's no credit reporting on that.
24 The fees for two (2) weeks on the three hundred dollar
25 (\$300) loan are there. That's the annual percentage

1 rate of 517 percent, and then the fees in one (1)
2 year.

3 Then if you go to the second column,
4 you'll see it's a different type of product in front
5 of you, and it's something called the Vancity Fast &
6 Fair Loan. The loan size can be anywhere from a
7 hundred to twenty-five hundred dollars (\$2,500). And
8 you see that the -- the duration for repayment is a
9 year to two (2) years paid by installment.

10 And then the third column on the right
11 is the Colorado state model is what it's being
12 referred to as for five hundred (500) US or less. And
13 these are the repayment terms on these.

14 So does that make sense, what -- the
15 snapshot that I've given you, is that making sense? I
16 -- I appreciate that you haven't been given a lot of
17 time to refer to it, so. I -- I'm just curious as to
18 your thoughts as to whether you'd be receptive or
19 interested in any of the -- the products apart from
20 the payday loan. And that's to all the panel members.

21 MS. MILAGROS DARAMAN: Well, as we can
22 see here, I think that Vancity Fair is more better
23 than those two (2). Like, yeah, in Manitoba or
24 Colorado state, the Vancity is much better, because
25 the interest is only in -- in two (2) weeks, it's two

1 dollars (\$2).

2 MS. BRANDY GETTY: I agree. Yeah.

3 MS. MILAGROS DARAMAN: And --

4 MS. BRANDY GETTY: The Vancity --

5 MS. MILAGROS DARAMAN: Is much better.

6 MS. BRANDY GETTY: -- looks much more
7 appealing than the other two (2).

8 MS. KATHLEEN MCCANDLESS: And I think
9 -- Ms. Daraman, I -- I think I have your evidence. I
10 don't -- is it the -- the fees that you find
11 attractive about Vancity model?

12 MS. MILAGROS DARAMAN: Yeah, because
13 they say in -- in two (2) weeks, for three hundred
14 (300) loan, is cost you only two dollars (\$2).

15 MS. KATHLEEN MCCANDLESS: Right. And
16 -- and when we go to repayment terms, that's the third
17 row, you'll see the difference between a payday loan
18 and the -- the other two (2) options are installments
19 over a longer period of time.

20 Do you have any particular concerns
21 about installments versus the one (1) time balloon
22 payment?

23 MS. MILAGROS DARAMAN: Because I just
24 go to a payday loan and get only a small amount of
25 money, I don't think I would get the twenty-five

1 hundred (2,500) or more than that. I mean, a couple
2 of hundred, so easy to pay back.

3 MS. KATHLEEN MCCANDLESS: Okay. Ms.
4 Wichert, do you have any particular comments with
5 respect -- or preferences with respect to what you see
6 in front of you?

7 MS. DEENA WICHERT: I -- like, they
8 all have their pros and cons, for sure. But for pers
9 -- for me personally, I don't know if I would -- I
10 don't know which one I would prefer.

11 MS. KATHLEEN MCCANDLESS: All right,
12 thank you. Have any of you had -- ever had a
13 complaint about a payday lender that you've -- that
14 you've made to anyone, any...? No. Would you know
15 what -- where to go if you had an issue with a payday
16 lender?

17 MS. DEENA WICHERT: No.

18 MS. KATHLEEN MCCANDLESS: When you go
19 to a payday lender, are you given any brochures or
20 pamphlets about things like credit counselling?

21 MS. MILAGROS DARAMAN: No. No.

22 MS. DEENA WICHERT: No. No one
23 offers, no.

24 MS. BRANDY GETTY: No.

25

1 (BRIEF PAUSE)

2

3 MS. KATHLEEN MCCANDLESS: Now, Ms.
4 Daraman, I had some questions just with respect to
5 what you had mentioned when Ms. Dilay was asking you
6 questions. Just so -- so I'm clear, you had mentioned
7 that you had been using payday loans since you had
8 been working. And then you had -- had a cleaning
9 business.

10 Was that how you were employed
11 throughout or did you have two (2) separate periods of
12 employment?

13 MS. MILAGROS DARAMAN: No. When I'm
14 employed, when I need an emergency money, I go to
15 payday loan. I don't have anybody, you know, for
16 money, because I'm just waiting my payday. And then I
17 will go and pay it back. But now that I'm retired,
18 that I need -- I'm getting only money every end of the
19 month, yeah. After the second week, sometimes if I
20 want to go with some friends out, I'll go for
21 pleasure, I need money, I go to payday loan, but not
22 so often. I guess, you -- you know, if I have to. I
23 don't want to touch a little money in my account.

24 MS. KATHLEEN MCCANDLESS: And I think
25 I understood that you had said that you -- you tend to

1 borrow less than the maximum you're allowed to. Is
2 that right?

3 MS. MILAGROS DARAMAN: That's only my
4 maximum, yes.

5 MS. KATHLEEN MCCANDLESS: So do you
6 take the maximum or do you borrow less than the
7 maximum?

8 MS. MILAGROS DARAMAN: Sometimes less.

9 MS. KATHLEEN MCCANDLESS: Okay.

10 MS. MILAGROS DARAMAN: Just only a
11 hundred. Or if I need it, I go to a hundred and sixty
12 (\$160); that's the max.

13 MS. KATHLEEN MCCANDLESS: Okay. And,
14 Ms. Wichert, you had mentioned using an internet
15 payday lender or lender at some point?

16 MS. DEENA WICHERT: Yeah.

17 MS. KATHLEEN MCCANDLESS: Okay. And I
18 think I understood that you had mentioned that it was
19 because you had two (2) open loans at once?

20 MS. DEENA WICHERT: Yeah.

21 MS. KATHLEEN MCCANDLESS: Okay. And
22 you needed to pay them back?

23 MS. DEENA WICHERT: Yeah. Like, I had
24 two (2) -- two (2) loans at once. And then I guess my
25 cheque was just shorter than usual. So then I went to

1 that third one to pay back one (1) of the two (2) that
2 I had out already.

3 MS. KATHLEEN MCCANDLESS: And this was
4 some -- was it something you found online yourself or
5 --

6 MS. DEENA WICHERT: No, I had act --
7 there's, like, a payday lender that I went in, because
8 I was looking for other options to borrow money. So
9 there was that -- I had found that one, and it was in
10 there, yeah.

11 And I just went in and asked. I had my
12 documents that I felt like I needed, and, yeah, and
13 then I just went in, and they got me to fill out
14 everything on their -- on a computer. So I wasn't
15 actually to a teller, so it was just like on a
16 computer, but in their business, like a -- place.

17 MS. KATHLEEN MCCANDLESS: So it was in
18 a storefront payday lender, but they gave you --

19 MS. DEENA WICHERT: A computer to take
20 out that loan.

21 MS. KATHLEEN MCCANDLESS: And you had
22 mentioned that was a loan from Alberta?

23 MS. DEENA WICHERT: Yeah. Like,
24 that's -- what was on the screen, it said Albert --
25 like, place of Alberta.

1 MS. KATHLEEN MCCANDLESS: And did that
2 ultimately help you in dealing with the two (2) open
3 loans that you had?

4 MS. DEENA WICHERT: But I -- but I --
5 I -- yeah, it did, but I never -- that was the, like,
6 one (1) -- I think I used it, like, that place twice
7 only so.

8 MS. KATHLEEN MCCANDLESS: And also for
9 Ms. Wichert, the pay -- when you initially started to
10 take out payday loans -- and I apologize if you
11 already mentioned this in your direct, but what -- was
12 it for emergencies or to cover expenses? What was it
13 for?

14 MS. DEENA WICHERT: Yeah. It was
15 mostly -- I guess when I would take out two (2), it
16 was like one (1) was for personal reasons, then the
17 other one was for when I would fall short, because I
18 had -- wouldn't take out -- I'd have the two (2) out,
19 so.

20 MS. KATHLEEN MCCANDLESS: So is that
21 sort of living expenses that you were using initially?

22 MS. BRANDY GETTY: Yeah, it would have
23 been, yeah.

24

25 (BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS: Now, Ms.
2 Wichert, you -- are you taking out the -- less than
3 the maximum as well?

4 MS. DEENA WICHERT: Yeah. I -- yeah.

5 MS. KATHLEEN MCCANDLESS: And so I
6 think that's -- was that all of your evidence, that
7 you -- when you -- when you borrow, it was always
8 under the max? Ms. Daraman, I believe sometimes you
9 go up to the max?

10 MS. MILAGROS DARAMAN: Yes.

11 MS. KATHLEEN MCCANDLESS: Okay. And
12 what are the reasons that you tend to borrow under the
13 max?

14 MS. DEENA WICHERT: I just -- I -- I
15 cannot -- I personally can't afford to -- if the max
16 is three hundred (300), I don't have three fifty-one
17 (351) or whatever to pay back. So the two hundred
18 (200) and the two thirty-four (234) is more reasonable
19 for me to pay back.

20 MS. KATHLEEN MCCANDLESS: Ms. Getty or
21 Ms. Daraman, do you have anything to add to that?

22 MS. MILAGROS DARAMAN: No. I think it
23 -- it -- the -- that's the only money that they give
24 to me, a hundred sixty (160). But I don't think that
25 I will go more than that if they will give me more,

1 because it's just only for my pleasure and social life
2 that I do. This is a habit that I have to stop.

3 MS. KATHLEEN MCCANDLESS: All right.
4 I -- I believe those are all of my questions for you.
5 Thank you very much for your time.

6 MS. MILAGROS DARAMAN: Thank you.

7 THE PANEL CHAIRPERSON: Well, thank
8 you very much for coming in and informing us at this
9 hearing today. We really appreciate you taking that
10 time, and also it was very informative. And thank
11 you, Ms. Dilay.

12 MS. KATRINE DILAY: Thanks very much.
13 And I just wanted to mention I think Ms. Desorcy might
14 have just a couple of words just to thank our panel
15 members, if that is okay with the Board.

16 THE PANEL CHAIRPERSON: That would be
17 very good. Thank you.

18 MS. GLORIA DESORCY: I just wanted to
19 thank our panellists for coming here today and not
20 only giving of their time to prepare and to come
21 today, but for their courage, because this is a
22 difficult thing to talk about.

23 It's very personal, and they've
24 allowed, you know, a roomful of people they've never
25 met to ask them questions about their personal

1 financial choices, and that's pretty courageous, I
2 believe.

3 And I think, you know, we really salute
4 your -- your public heroism in doing this today,
5 because this helps us a lot. And I believe, you know,
6 it's -- it's to -- for the Board to say if it helps
7 them, but we hope that it does.

8 Certainly on behalf of Winnipeg
9 Harvest, on behalf of Consu -- Community Financial
10 Counselling Services, and on behalf of the Manitoba
11 branch of the Consumers' Association of Canada, we
12 would like to thank you for what you've done today.
13 Thanks very much.

14 MS. SUSAN PROVEN: I -- I just want to
15 add something because is the third payday loan hearing
16 that I've been involved in. It's been happening for
17 quite a number of years, and you are the first to come
18 and share a personal experience. And without this
19 experience, we can't make a good decision. Thank you.

20 MS. KATRINE DILAY: And just one (1)
21 last thing from me before I stop talking, we do have
22 also a couple other guests from Winnipeg Harvest that
23 joined us, including Donald Benham, who is very
24 involved in the -- in the payday lending file with us.

25 THE PANEL CHAIRPERSON: Well, again,

1 thank you very much. We -- as everybody has said, we
2 really appreciate you taking that time. So thank you.
3 And I think right now, we will probably take a fifteen
4 (15) minute break.

5

6 (PANEL STANDS DOWN)

7

8 --- Upon recessing at 2:11 p.m.

9 --- Upon resuming at 2:38 p.m.

10

11 COALITION PANEL 1, RESUMED:

12 JERRY BUCKLAND, Resumed

13 CHRIS ROBINSON, Resumed

14

15 THE PANEL CHAIRPERSON: Okay. Welcome
16 back. I'm -- after the afternoon break. I'm going to
17 ask Mr. Williams, I believe, there was an undertaking
18 that was -- you'd like to put in the record?

19 MR. BYRON WILLIAMS: Yes, and we
20 appreciate the photocopying services that were
21 offered. I believe Undertaking Number 2 of the
22 Coalition, Dr. Buckland had agreed to provide
23 information from Ontario in terms of the sample
24 literature that they use to give some additional
25 information in terms of the comparative cost.

1 And Mr. Christle will give me the wink
2 if -- I think this is Coalition (sic) 38, and I would
3 suggest it be marked as that exhibit. I don't know if
4 Dr. Buckland has any additional comment or -- or not,
5 but I believe that satisfies our second undertaking.

6

7 --- EXHIBIT NO. CAC-38: Response to Undertaking 2

8

9 DR. JERRY BUCKLAND: I -- I just
10 wanted to say that I'm not certain that this is
11 current presently. It's dated 2014. So it was the
12 regulation in 2014. I don't know if it's still the
13 case today. I could check that out, for sure.

14 THE PANEL CHAIRPERSON: I think this
15 was just a sample for us to see what -- what kind of
16 advertising they do, so I think this would be
17 sufficient. Thank you.

18 Now, I'd like to call upon Ms.
19 McCandless to continue her cross-examination.

20

21 CONTINUED CROSS-EXAMINATION BY MS. KATHLEEN

22 MCCANDLESS:

23 MS. KATHLEEN MCCANDLESS: Thank you.
24 Dr. Buckland, just a -- a few more questions for you.
25 On the issue of repeat borrowing, we've -- we've heard

1 a significant amount of that -- evidence on that
2 already, and if we could pull up CAC Exhibit number
3 32, page 12.

4

5 (BRIEF PAUSE)

6

7 MS. KATHLEEN MCCANDLESS: So as I
8 understand, based on your litera -- literature of you,
9 there's what you call a subset of borrowers, or what
10 Melzer refers to as a subset of borrowers for whom
11 repeat borrowing is an issue?

12 DR. JERRY BUCKLAND: That's correct.

13 MS. KATHLEEN MCCANDLESS: And then
14 there seems to be another group of borrowers who --
15 who would be the strategic borrowers who aren't caught
16 in that debt trap?

17 DR. JERRY BUCKLAND: Yeah, that's the
18 -- the term I've used, yes.

19 MS. KATHLEEN MCCANDLESS: Now, if we
20 could jump ahead to pre -- your Coalition pre-filed
21 evidence Tab 2, page 16.

22

23 (BRIEF PAUSE)

24

25 MS. KATHLEEN MCCANDLESS: Under 3.2,

1 the first paragraph, you note that one (1) of the
2 chronic problems associated with payday lending is
3 repetitive borrowing, but that data limitations --
4 there are data limitations in Canada that make it
5 difficult to confirm whether it's a challenge.

6 That would be an accurate understanding
7 of your report?

8 DR. JERRY BUCKLAND: I -- I would say
9 that it's -- the data limitations limit our knowledge
10 of the -- of the depth or complexity of the problem.
11 We -- we see with the research from Dr. Simpson in
12 terms of the CFCS and the SFS that it is an issue in
13 Canada, but we don't know the depth.

14 We don't have enough detail about it.
15 And we also have the data from BC and Nova Scotia. I
16 -- I'm sorry, we -- we do have that information from
17 those regulators.

18 MS. KATHLEEN MCCANDLESS: Right. And
19 so if we could go back to CAC number 32, page 23.
20 This is the data from Consumer Protection BC. It
21 shows the average annual number of loans per borrower
22 in that province has moved from five point nine (5.9)
23 in 2012 to five point four (5.4) in 2013, and then
24 four point three (4.3) in 2014. Yes?

25 DR. JERRY BUCKLAND: Yes.

1 MS. KATHLEEN MCCANDLESS: Okay. Do
2 you have any information as to how Consumer Protection
3 BC is able to obtain that data?

4 DR. JERRY BUCKLAND: I understand that
5 as the regulator they collect that data from payday
6 len -- licensed payday lenders. That's my assumption.

7 MS. KATHLEEN MCCANDLESS: Okay. And
8 what's the extent to which we can extrapolate the data
9 from BC and also from Nova Scotia, which is the other
10 jurisdiction, that collects that information to
11 Manitoba?

12 DR. JERRY BUCKLAND: I think that
13 there aren't a lot of reasons why we should suspect
14 that data from the payday loan consumers in those
15 Provinces is substantially different from the payday
16 loan borrowers in Manitoba. I mean, there are some
17 differences in terms of the regulation. We heard from
18 Dr. Simpson that there is a slightly higher rate in
19 Manitoba of payday loan use as compared to the
20 national average.

21 But I don't have any strong reason to
22 believe that BC or Nova Scotia results would be
23 significantly different from the Manitoba results.

24 MS. KATHLEEN MCCANDLESS: And if we
25 move ahead to slide -- or page 24 of this document we

1 have the Nova Scotia data for 2013 to '14, 52 percent
2 of all payday loans were repeat loans of some type,
3 yes?

4 DR. JERRY BUCKLAND: Correct, yes.

5 MS. KATHLEEN MCCANDLESS: In your
6 report at page 26 -- Diana, if you could, please, jump
7 there?

8

9 (BRIEF PAUSE)

10

11 MS. KATHLEEN MCCANDLESS: Right.
12 That's a good spot to leave it. You note in that --
13 that paragraph at the middle of the page that a state
14 with a fifteen (15) per one hundred dollar (\$100)
15 rate, an operate will need a new customer to take
16 about four (4) to five (5) loans before that customer
17 becomes profitable, yes?

18 DR. JERRY BUCKLAND: Yes.

19 MS. KATHLEEN MCCANDLESS: And that's
20 from Pew's research.

21 DR. JERRY BUCKLAND: Correct.

22 MS. KATHLEEN MCCANDLESS: And this may
23 be a question for both panel members but perhaps you
24 could shed some light onto how that determination was
25 made?

1 DR. JERRY BUCKLAND: Yeah. I -- I --
2 it's a really good point. It's a very important point
3 because what it is pointing to is that there's an
4 economy scale, in a sense, of the number of times a
5 customer takes out a payday loan.

6 And I think this kind of really points
7 to the challenge for the Board of kind of addressing
8 this repeat loan, versus viable industry question.
9 And you're -- you know, you're -- you're having to
10 find this balance.

11 And what I would say is there are
12 certain repeat borrowers who are strategically able to
13 do that. They're not tunnelling. They're not working
14 against their long-term interest. Somehow this is
15 working within their finances.

16 There are others, however, the
17 vulnerable repeat borrower that we -- we have seen in
18 the data who are defin -- who are, I believe, being
19 harmed in this relationship. They're certainly not
20 being helped because to take out one (1) loan after
21 another is not resolving their fundamental financial
22 problem.

23 So I think this question draws to the
24 heart of the -- the Board's challenge, and it's --
25 yeah, I don't think it's an easy response. I don't

1 know if my colleague wants to...

2 DR. CHRIS ROBINSON: I think you're
3 actually asking a slightly different question with
4 this question. I think you're -- you're -- you just
5 quoted a statement:

6 "In a state with fifteen dollars
7 (\$15) per hundred rate, an operator
8 will need a new customer to take out
9 four (4) to five (5) loans before
10 that customer becomes profitable."

11 There is actually some thoughtful
12 Canadian research despite the comments that I've made
13 about my disagreements with Ernst & Young, I think you
14 should look -- and I -- I can't quote it from memory
15 but Ernst & Young spoke with the operators -- a number
16 of operators of all sizes at length about what
17 happened when they had to take out -- you know, when
18 they had new versus repeat customers.

19 I think they settled -- the way they're
20 doing their data, I think -- if I recollect correctly
21 they settled on a -- the cost is two point six (2.6)
22 times, but there was terrific variation. However, if
23 you want insight into what they have to say, that is
24 an insufficient statement but Ernst & Young devoted a
25 page or two (2) to talking about it.

1 I can, if you like, find it for you
2 while you continue with other questions. It's in
3 there. And it seems to me that this is -- I mean,
4 this is evidence that's already in front of the Board.
5 This is already filed.

6 If -- do you want me to just go find it
7 while you continue with your questions?

8 MS. KATHLEEN MCCANDLESS: I think
9 we'll -- we'll be able to --

10 DR. CHRIS ROBINSON: -- yourselves --

11 MS. KATHLEEN MCCANDLESS: -- yes,
12 we'll -- we'll find that. I have your -- your answer,
13 thank you.

14 I believe, if I recall correctly,
15 yesterday we heard some evidence that the incidence in
16 the US of repeat borrowing is higher, more in the
17 range of eight (8) to nine (9) loans within a twelve
18 (12) month period, as opposed to the Canadian data?

19 DR. JERRY BUCKLAND: Well, we have
20 more detailed information for the US, so there are
21 sources of data in terms of repeat borrowing in the US
22 that are showing that kind of level. What we don't
23 have in Canada is, for instance, from national sample
24 surveys what the -- what the Canadian level is. We --
25 we do have the data from BC and Nova Scotia.

1 DR. CHRIS ROBINSON: The -- where you
2 have that evidence in the US is where they have
3 databases in the states. I believe Pew says it's
4 fourteen (14) now. The -- but they have states -- in
5 any case, the number of states that are now tracking
6 loan use by person.

7 Now, if course, even those databases
8 are not perfect because people will, quite
9 unintentionally, use names that don't match up
10 exactly, use their initials and not use the name. But
11 -- so they're able to tell when they're borrowing from
12 different lenders whereas the Canadian regulatory data
13 only tells us whether they're borrowing from a known
14 lender. The -- they're not crossing -- when BC and
15 Nova Scotia get the numbers they're just saying to
16 lenders, How many individual customers did you have,
17 not how many did -- did you match up names across
18 stores and across companies.

19 So the -- the Canadian data will under
20 -- understate the repeat borrowing.

21 DR. JERRY BUCKLAND: Well, and if I
22 could also just add that the -- the next sentence here
23 I think is fairly instructive from Pew's research
24 where they say caps around ten dollars (\$10) per
25 hundred which has not been a position that the -- the

1 Coalition has taken, but ten dollars (\$10) per
2 hundred, restrictions on the number of loans per
3 person a person can take and allowing installment
4 repayment, that payday lenders can continue to operate
5 in large numbers.

6 So that's just sort of an interesting
7 additional point.

8 MS. KATHLEEN MCCANDLESS: Okay. We
9 have heard about borrowers having open loans at more
10 than one (1) lender at a time. And I believe at page
11 18 of your report you mentioned that lack of
12 underwriting is linked with that issue right there,
13 yes?

14 Is it your understanding that lack of
15 underwriting would be inherently part of the payday
16 lending model, the business model?

17 DR. JERRY BUCKLAND: Well, I think
18 that underwriting doesn't necessarily solve the repeat
19 borrowing issue if the payday lender doesn't have
20 access to information about other payday loans that
21 that person either has or has recently completed.

22 So I -- I think that that's kind of
23 going to the credit reporting issue, that the credit
24 reporting issue might resolve that -- that issue.
25 Sorry, can you restate your -- your question?

1 MS. KATHLEEN MCCANDLESS: Well,
2 actually, there's something you mentioned in your
3 response that maybe... As I understand, part of the
4 underwriting would involve issuing an inquiry on -- on
5 someone's credit history, yes?

6 DR. JERRY BUCKLAND: Correct, yes.

7 MS. KATHLEEN MCCANDLESS: Okay. And
8 that payday lenders don't do that as part of their
9 business model?

10 DR. JERRY BUCKLAND: Yeah. They
11 neither report on, nor do they access that
12 information. So, yeah, I guess I was saying that if
13 they don't report on it, whether they access it or not
14 -- or sorry, if -- if they're accessing the
15 information that doesn't include payday loan use, then
16 they wouldn't know if the client has other payday
17 loans.

18 MS. KATHLEEN MCCANDLESS: So,
19 essentially, for the underwriting -- for that exercise
20 to be informative, all the payday lenders would need
21 to be reporting to the credit reporting service when
22 someone takes out a payday loan?

23 DR. JERRY BUCKLAND: Yeah. I mean, I
24 think for the most effective system it would need to
25 be a universal system.

1 MR. BYRON WILLIAMS: Madam Chair,
2 might I interrupt with the -- Madam Chair, might I
3 interrupt with the reference from My Learned friend?
4 Just in terms of the Ernst & Young study and the --
5 there's -- and the information about repeat loans, and
6 I don't think we need to turn there, but it's PUB
7 CPLA-1-25.

8 And I think the interesting pages that
9 Dr. Robinson were referring to were pages 34 to 36.
10 And there's different information, including the
11 operating cost information that she's looking for.

12

13 (BRIEF PAUSE)

14

15 CONTINUED BY MS. KATHLEEN MCCANDLESS:

16 MS. KATHLEEN MCCANDLESS: Now, PUI --
17 or the -- the literature identifies this lack of
18 underwriting as -- as one (1) of the reasons -- or
19 it's linked to the customer taking out what I'll call
20 "concurrent loans" so two (2) open loans at -- at two
21 (2) different lenders.

22 Is there anything in the literature
23 that suggests how that might be addressed, that issue?

24 DR. JERRY BUCKLAND: Well, I mean, the
25 regulators have tried different ways: cooling off

1 periods, prohibition on rollovers, prohibition on
2 repeat loans.

3 And one (1) study that looked at a
4 number of studies looking at this concluded that it's
5 very difficult to limit the amount that a person
6 borrows because they're able to get around -- if they
7 need to, they're able to get around these various
8 regulations and go to another payday lender, go to
9 another payday loan outlet.

10 I've heard cases where people are
11 directed to telephone a payday loan outlet in another
12 jurisdiction to get a payday loan. And so limiting
13 the total amount borrowed for someone that really
14 wants that loan is -- is difficult without a more I
15 guess universal kind of credit tracking system,
16 harmonized regulations across the provinces.

17 MS. KATHLEEN MCCANDLESS: If you refer
18 to page 26 of your report, under paragraph 4.3, I
19 believe what's been written in here is with respect to
20 the limit of the amount to be borrowed, and that
21 ultimately Kaufman found that efforts to limit the
22 total amount borrowing were less successful.

23 At the bottom of that page, it says
24 that:

25 "Unless states enact much more

1 binding limits on the maximum amount
2 borrowed, it may not matter whether
3 or not they have limits on
4 simultaneous borrowing."

5 So just so I -- to clarify, does that
6 mean that unless you're -- you're somehow unable -- or
7 able to track those concurrent open loans, a maximum
8 borrowing amount will not affect what a lender -- or
9 what a borrower actually takes?

10 DR. JERRY BUCKLAND: Well, that's my
11 understanding because --

12 MS. KATHLEEN MCCANDLESS: Yeah.

13 DR. JERRY BUCKLAND: -- otherwise,
14 it's easy just to go down the street to another payday
15 lender company. And in some cases -- and I'm not sure
16 if it's possible in some cases to go to another payday
17 loan company's outlet. Like I don't know how much
18 they communicate with one another, the outlets within
19 a firm.

20 MS. KATHLEEN MCCANDLESS: And so that
21 ties into a question that I have for Dr. Robinson with
22 respect to something you mentioned yesterday in your
23 evidence, which was that, with respect to the maximum
24 proportion of a borrower's net pay that they can
25 borrow against, that you are not recommending that the

1 30 percent be reduced in Manitoba. And now you may be
2 thinking about actually increasing it.

3 Can you speak to that?

4 DR. CHRIS ROBINSON: Yes. It -- I
5 mean, there's more evidence since I started doing
6 that. I'm seeing all the evidence coming from every
7 source that says there are so many ways around a
8 limit.

9 The limits lead to -- the -- the limits
10 will lead to borrowers going to more than one (1)
11 lender. We've heard evidence on that, and -- or,
12 well, sorry, we've heard a presentation that said
13 that. But we have -- I accept it. I mean, I have no
14 doubt that this is -- that this is happening, that
15 this is true.

16 And this is actually inefficient in a -
17 - in a social sense. So they're still borrowing --
18 unfortunately, borrowing more and getting themselves
19 into trouble frequently. But we can't really prevent
20 that, and in addition we have the internet lenders.

21 Now, I regard the internet lenders as
22 perhaps more of a bogeyman than a real problem, but
23 they certainly mean that, with internet lending, you
24 can go beyond a cap that's set in Manitoba.

25 If you bring in database requirements,

1 what is a small industry of small businesses now has
2 to start filing a bunch of data, additional data. And
3 you can see in the US states that many of them
4 actually charge for it. And those -- some of those US
5 states -- I mean, California's bigger than Canada. I
6 don't know if they have a database fee, but you get
7 the idea, right, so that there's an additional cost on
8 what we already know are small businesses.

9 A1 C11 testified, and this was actually
10 in their evidence, about, you know, they have this
11 backroom, they have all these files and this stuff,
12 and they can't necessarily get that data.

13 So it does not seem that there is any -
14 - that there is any way to realistically limit the
15 amount that people will borrow on payday loans. Well,
16 I mean, there are ways to limit it, but not to limit
17 it, say to 25 or 30 percent.

18 So having a rule that does that and
19 doesn't have anything else to offset the problem,
20 which I have identified, and I identified that as a --
21 as an expert in personal financial planning as well,
22 but it's common sense. So we can all imagine if you
23 have to pay that chunk of your pay, Pew makes much of
24 it in its report.

25 They say the Colorado model is, you

1 know, you pay back 4 percent of each pay and -- and
2 others you're paying a third of your pay or more. So
3 it -- if -- if you like that -- excuse me, if you
4 like, the limits on the borrow -- on the single
5 borrowing or the single borrower have some bad
6 consequences and don't actually add any good
7 consequences unless what they do is saying to the
8 borrower we're saying this is not good for you.

9 But we sort of have to let people
10 figure that out for themselves to some extent. If
11 they can't figure that out, we are unable to enforce
12 it on them.

13 MS. KATHLEEN MCCANDLESS: I -- I
14 suppose then one (1) issue that would arise from that
15 is if -- if the maximum was raised and yet the lenders
16 aren't talking to each other and -- and there's no
17 credit reporting, would that -- could that not lead to
18 a situation where a borrower ends up completely
19 overextended?

20 DR. JERRY BUCKLAND: I'll -- I'll go
21 first, because Chris is trying to get his mic on.
22 Yeah, I think that potentially that could happen, we
23 don't know. It would be -- you know, again, it would
24 be important to monitor something like that because it
25 could happen.

1 I mean, and just picking up on Dr.
2 Robinson's point about a signal, like I do think
3 there's something valuable about limiting the amount
4 people can borrow in the sense that there is a cost to
5 them to go to one (1) lender. And then if that's not
6 enough there's a cost to them to go to another lender.

7 So in a sense -- now, these are --
8 these are complicated issues, but in a sense if you're
9 increasing the cost to go and borrow money, maybe
10 that's in some ways a good thing if it makes people
11 stop for a moment and think, again, well, do I really
12 need that.

13 The same way I think that that method
14 that Ontario uses to inform consumers about the price
15 of payday loan compared to like a credit card. If it
16 gets them to stop to think for a moment, well, you
17 know, maybe I should take out the loan today, but get
18 a credit card tomorrow, you know, apply for a credit
19 card tomorrow.

20 So I think if there are opportunities
21 to get people to stop and think and make some, rather
22 than tunnelling decisions, some kind of longer term
23 decisions, it could be beneficial for them.

24 So I -- I just wanted to add that.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 Dr. Robinson, I am going to have some questions for
2 you now. I may come back to you later, Dr. Buckland.
3 We've already heard much about your financial model
4 and -- and I understand correctly that it is based on
5 what you refer to as an efficient lender?

6 DR. CHRIS ROBINSON: Yes.

7 MS. KATHLEEN MCCANDLESS: And so that
8 would comprise a lender where there's no one sitting
9 around not doing anything. It's -- it's very well
10 run.

11 Costs are kept down, that type of
12 thing?

13 DR. CHRIS ROBINSON: Well, I mean, I
14 said it fairly simply. If you want to go into more
15 detail as -- as any lender -- or I'm sorry, as any
16 businessman will tell you, there is a cost to slack;
17 that is to say, there is a cost to having resources
18 that are not being used.

19 There is also a cost not having any
20 slack, because what happens if you are lined up for
21 whatever it is you've got. I mean, I don't know about
22 you, I don't like standing in lines, so maybe I'll go
23 -- now, payday lenders aren't quite the same as going
24 to the coffee shop next door, but nonetheless, if you
25 find that the lender can never serve you because

1 they're too busy.

2 So there is this problem. Of course,
3 their demand is not -- and I would assume, I don't
4 know, as I said, every time I go by there's nobody
5 there, but I would assume there are times when it's
6 quite busy. But yes, what I'm saying is that there's
7 a considerable cost to not having enough volume going
8 through these stores.

9 And that cost, because we know what the
10 cost of running a business are, they are the people
11 working in the business, okay, that is what -- that is
12 what everybody tells us the business is about,
13 especially since the customers allegedly love going
14 there because everybody's so nice to them and the
15 banks are such rotten people.

16 And, of course, we don't like waiting
17 in lines at banks either. So there will always be
18 slack, there will have to be. What I'm arguing is
19 that there are certain limits to the slack and the
20 industry will pick up that as it concentrates, and as
21 it has been doing in Canada to some extent, and in
22 Manitoba. And probably, I believe, has been doing in
23 the United States, as well.

24 MS. KATHLEEN MCCANDLESS: Thank you.
25 And you indicate in your report that your financial

1 model is based on that which you used in the 2007/2008
2 hearings with the exception of the data is now
3 adjusted to reflect the regulatory rates, yes?

4 DR. CHRIS ROBINSON: Yes. If you're
5 to look at the spreadsheet from that time, I don't
6 know of any -- I've still got it somewhere, but I
7 don't know if anybody else does, it would look
8 different, because at that time, I had to deal with
9 all these possible different fee structures, and so
10 there was all this other stuff in the -- in it.

11 But the principles are exact -- are --
12 are exactly the same. The principles are exactly as I
13 described them this time, you know, as to what you put
14 in, how you do it, why you do it, et cetera. But, of
15 course, the data has changed. And the data changed
16 two (2) days ago when Cash Money spoke to us.

17 MS. KATHLEEN MCCANDLESS: And if we
18 could pull up PUB/CAC-1-30? This was a question that
19 was posed with respect to the Form 10-K.

20 DR. CHRIS ROBINSON: Why don't you --

21 MS. KATHLEEN MCCANDLESS: Eventually,
22 but not -- not quite yet.

23

24

(BRIEF PAUSE)

25

1 MS. KATHLEEN MCCANDLESS: So if we go
2 down to the second page of this, yeah, and keep
3 scrolling.

4

5 (BRIEF PAUSE)

6

7 MS. KATHLEEN MCCANDLESS: Next page.
8 All right. Your financial model is based on the
9 financial statements of Dollar Financial. You make a
10 comment there that there's a significant red -- red
11 flag regarding the appropriateness of the expenses
12 that you found in the Form 10-K. Yes?

13 DR. CHRIS ROBINSON: Yeah. There's
14 actually a statement I -- I perhaps should make.
15 We're -- we're all making actually something that's
16 slightly -- slight incorrect.

17 The financial model has nothing to do
18 with Money Mart. The financial model is the model of
19 a payday lender. I am simply trying to use -- the --
20 use whatever data I have to put the numbers in there.
21 The financial model I could do if I'd never heard of
22 Money Mart, okay. The financial model is simply the
23 regulatory model I could do if I had, you know, a few
24 more hundred lines or thousands of lines, I could
25 apply it to Manitoba Hydro.

1 MS. KATHLEEN MCCANDLESS: Okay. Now,
2 I'm -- and I appreciate your comment with respect to
3 that. My question is with respect to the comment of
4 the red flag. Just to confirm, there was a red flag
5 that you -- you saw in this Form 10-K, or in the
6 financial statements, and in your analysis, you
7 ignored the costs that you considered part of that red
8 flag.

9 Is that right?

10 DR. CHRIS ROBINSON: No, I didn't
11 ignore it. I tried various values to deal with it to
12 -- to say that I -- I shouldn't be allowing all of it.
13 So, in fact, in some of the -- I mean, remember the
14 model itself, anybody can use it and put any numbers
15 in. That's why I gave it to you.

16 But if you said -- if you say: These
17 costs are completely unall -- you know, we shouldn't
18 allow any of these costs, Money Mart could run as a --
19 because it's Money Mart we're concerned about. We're
20 not concerned about Dollar Financial. Money Mart
21 could run perfectly well on its own without any
22 allocation of the \$109 million worth of head off -- of
23 corporate expense, is the title, and the twenty-six
24 (26) or \$29 million worth of depreciation, which is
25 interesting in a company that has virtually no assets.

1 Then you'd get a value per hundred of
2 nine dollars and fifty-three cents (\$9.53). If you
3 allow all of it, and this is translating into Canadian
4 dollars, although they're almost at par, if you get --
5 if you allow all of it in, you get twelve dollars and
6 one cent (\$12.01). So where are you in the middle of
7 that?

8 I was being pretty generous to -- to
9 Berwyn, Pennsylvania, head office in assuming that
10 they actually provided some value. I'm not sure they
11 do. And said, Let's -- for a lot of my -- a lot of
12 the examples I give, I used eleven dollars (\$11).
13 Interestingly, if you reverse engineer Cash Money's
14 oral presentation to us, you come to eleven dollars
15 and twelve cents (\$11.12), which I found quite
16 interesting it should come so close. I question
17 whether all their head office costs are justified
18 either.

19 But -- finally, I would say -- I mean,
20 I've been doing this for a long time. I have broken
21 major frauds. So when I see that -- when I see a red
22 flag maybe others don't. But I have been threatened
23 before with a hundred million dollar lawsuit for the
24 red flags I've raised. I have never been found wrong
25 with those red flags yet.

1 MS. KATHLEEN MCCANDLESS: And perhaps
2 just so that we can all see the -- what you're
3 referring to as the red flag, can -- Diana, can you
4 pull up Appendix A of the Coalition's pre-filed
5 evidence? And I believe it's page 39.

6

7 (BRIEF PAUSE)

8

9 DR. CHRIS ROBINSON: Thirty-nine? Oh,
10 it could be. I thought it was 80 something, but let's
11 see.

12

13 (BRIEF PAUSE)

14

15 MS. KATHLEEN MCCANDLESS: Keep
16 scrolling down. I think the pagination is different
17 in the electronic document. This is -- if you look
18 right to the -- the very bottom -- could you scroll
19 down just a little bit more? Thank you.

20 Am I to -- correct in understanding --
21 oh, if we look to corporate and other expenses, that
22 line, a hundred and nine point four (109.4), is -- is
23 that part of the red flag that you're referring to?

24 DR. CHRIS ROBINSON: Just go up a bit.
25 I want to see -- I -- I want to make sure I see the

1 column headings. And 2013, 2012. Okay, I was
2 actually digging for a different page, but these
3 appear to be the same numbers. All the numbers appear
4 to be the same. Yes.

5 So that's -- there are two (2) lines
6 I'm referring to really. The -- the one that I just
7 quoted to you was corporate and other expenses, a
8 hundred and nine point four (109.4), other
9 depreciation and amortization of who knows what,
10 twenty-four point seven (24.7). You notice that's
11 jumped enormously in recent years for an operation
12 that leases everything.

13 And if you look back up under,
14 "Operating expenses," what you see is a line that
15 says, "Other again." Okay, do you see where it says,
16 "Other again, 222 million?" So the unidentified
17 expenses were almost as much as salaries and benefits,
18 more than wages, three and a half times as much as
19 occupancy costs.

20 I mean, this is -- I would be most
21 interested to know what they're spending it on. As I
22 have already said, my bet is that's why Lone Star
23 bought them. And those costs have disappeared in
24 large measure.

25 MS. KATHLEEN MCCANDLESS: Could we

1 flip to Table 4, Dr. Robinson's model?

2

3

(BRIEF PAUSE)

4

5

MS. KATHLEEN MCCANDLESS: That would
6 be -- or the -- the Excel spreadsheet that we were on
7 yesterday.

8

DR. CHRIS ROBINSON: Okay. At this
9 point, if we're going to run on it, it'll be
10 impossible. I mean, I -- I gave Diana the option that
11 she could explain it to you, but she -- she passed on
12 that one. She wants me to be stuck with it.

13

Okay, here we are. Yeah, it's working.
14 Thank you, Diana. Operating model.

15

16

(BRIEF PAUSE)

17

18

DR. CHRIS ROBINSON: One (1) of the
19 things about -- about my life is that I always have
20 this sense of delight when anything works for me on a
21 computer. Oh, wait a second. Why have I got it up
22 there twice now? That's odd. There we are. Yeah, I
23 want to maximize it. Why did appear twice? Now when
24 I max again. What is this junk?

25

1 (BRIEF PAUSE)

2

3 DR. CHRIS ROBINSON: Okay, there we
4 are.

5 MS. KATHLEEN MCCANDLESS: Okay. And
6 so, as I understand, in -- in your model, Table 1, on
7 the left-hand side we've got operating costs per
8 hundred dollars. That's the eleven dollars (\$11) --

9 DR. CHRIS ROBINSON: Yes.

10 MS. KATHLEEN MCCANDLESS: -- that
11 you've allocated? Yes. And that takes into -- or
12 that -- that takes out those questionable expenses
13 that you noted on the financial statement?

14 DR. CHRIS ROBINSON: No.

15 MS. KATHLEEN MCCANDLESS: No.

16 DR. CHRIS ROBINSON: It takes out part
17 of them. It's -- I don't know what the right answer
18 is, so I took a reasonable number. Given what Cash
19 Money said, maybe I -- maybe my judgment's pretty
20 good, but I just really can't tell. If I were a
21 rater, I would value this company as if I could take
22 it down to ten (10), and I would say, There's excess
23 here, I'm going to squeeze you.

24 MS. KATHLEEN MCCANDLESS: Okay. Now,
25 if we could, Diana, go to Table 4, which is the

1 Coalition's -- pardon me?

2 DR. CHRIS ROBINSON: Okay. I mean, I
3 now have -- I -- it's -- it's now on my -- it's now on
4 my computer. So if we go back and forth, it's going
5 to get a little messy.

6 MS. KATHLEEN MCCANDLESS: Okay.

7 DR. CHRIS ROBINSON: You want Table 4
8 in my report?

9 MS. KATHLEEN MCCANDLESS: Yes, please.

10 DR. CHRIS ROBINSON: Okay. Yeah, she
11 can just take -- okay. Yeah, she's faster than I am,
12 so let's -- let's...

13

14 (BRIEF PAUSE)

15

16 MS. KATHLEEN MCCANDLESS: If we scroll
17 down to the allocation of head office costs to Money
18 Mart, these are the numbers that were taken from the
19 Form 10-K?

20 DR. CHRIS ROBINSON: I think -- yes.

21 MS. KATHLEEN MCCANDLESS: And with
22 respect to the amount for other depreciation, you have
23 twenty-six three (263).

24 DR. CHRIS ROBINSON: Yes, and that
25 number should be whatever number we just said. It

1 should be twenty-four seven (247). I took the number
2 from the wrong year.

3 MS. KATHLEEN MCCANDLESS: Okay. And
4 that twenty-four (24) -- or twenty-seven (27) --

5 DR. CHRIS ROBINSON: Twenty-four
6 million seven hundred thousand (24,700,000). That,
7 again, is depreciation that -- I don't know what it
8 is. It -- the -- so that that would affect the twelve
9 dollars and one cent (\$12.01).

10 It does not particularly affect my
11 assumption of eleven (11), because that's just sort of
12 my best guess as to what's an allowable -- what might
13 be reasonable.

14 I -- I'm not sure if I'm making that
15 clear. If I just go by the calculations, that will
16 raise it by -- I don't know. Perhaps you've done the
17 calculations. It will raise it -- oh, I'm sorry, I'm
18 -- I'm -- this will lower the cost.

19 Sorry, it's twenty-four seven (247),
20 not twenty-six three (263), so it will actually lower
21 the cost a little bit below twelve dollars and one
22 cent (\$12.01). It doesn't change anything in -- in
23 terms of how I'm doing the analysis. And -- and it
24 doesn't mean the costs are actually any lower. We
25 still don't know what they're hiding in Berwyn.

1 MS. KATHLEEN MCCANDLESS: So as I
2 understand it then, with the eleven dollars (\$11),
3 there's no formal qualitative and -- or quantitative
4 analysis that goes into --

5 DR. CHRIS ROBINSON: No.

6 MS. KATHLEEN MCCANDLESS: -- setting
7 that number?

8 DR. CHRIS ROBINSON: I mean, I gave
9 you one (1) quantitative example. What were the
10 similar cost percentage in Cash America which is, in -
11 - in the terms we use in value -- in valuations, Cash
12 America is the best comparable we've got for Dollar
13 Financial as a whole company.

14 Not -- this is not Money Mart anymore.
15 This is Dollar Financial as a whole company, another
16 American company operating in payday lending in
17 multiple states, big, et cetera. Okay. I think it's
18 the other -- it's the biggest one we've got left.

19 And I forget the numbers. It was --
20 this is something like 29 percent of expenses, and
21 theirs was something like five (5) or six (6). And
22 that -- I mean, again, that just simply confirms.

23 And so if you want to get quantitative,
24 I would disallow 80 percent of the difference between
25 twelve dollars (\$12) and nine fifty-three (9.53),

1 which would take me to a lot less than eleven dollars
2 (\$11), okay? So if you want to do it in that
3 quantitative sense, it is in my -- it's open to
4 anybody to do that.

5 I mean, now that I'm thinking about it,
6 maybe that's what I should have done, but it is all
7 still very much a judgment in the first part on my --
8 on my part of saying, There's something wrong here.
9 And I just don't know how far wrong it is.

10 Cash America might have abnormally low
11 head office costs. It doesn't, after all, have a
12 Canadian subsidiary. It doesn't have UK subsidiaries.

13 If you want my professional opinion on
14 where that money's going, a lot of it's going into
15 their attempts to expand into Europe, because Europe
16 is not producing much revenue, but they are claiming
17 to be in many -- several countries and expanding
18 rapidly in the last data we have, and they kept on
19 doing that.

20 I don't know, of course, what Loan Star
21 intends to do.

22 MR. BYRON WILLIAMS: And, Board
23 counsel, just the reference -- I -- I don't think we
24 need to turn there, but it's the bottom of page 21 of
25 Dr. Robinson's pre-filed evidence, where he makes

1 reference to the Cash America.

2

3

(BRIEF PAUSE)

4

5

DR. CHRIS ROBINSON: I thought I'd
6 done it in an IR, not in the -- oh yes, and it is Cash
7 America.

8

9 CONTINUED BY MS. KATHLEEN MCCANDLESS:

10

MS. KATHLEEN MCCANDLESS: Diana, if we
11 could pull up PUB/CAC-1-31.

12

13

(BRIEF PAUSE)

14

15

MS. KATHLEEN MCCANDLESS: This is
16 again on the issue of operating costs, and we have
17 spoken about some of it already. The question was
18 with respect to the -- the issue of the -- the
19 operating costs allocated in the Deloitte report filed
20 by the CPLA.

21

And if you want to scroll down a little
22 bit, please, Diana. Right. Keep scrolling. Okay.
23 You comment here with respect to the -- the content of
24 the Deloitte report and sample selection bias, yes?

25

DR. CHRIS ROBINSON: Well, I've

1 already stated this. I mean, there's -- first of all,
2 you can't call it a sample, because it is not a
3 sample. A sample implies that I go out and ask
4 everybody in this room, Would you tell me how much you
5 spent on chocolate last week, and I -- I refuse to
6 answer, but -- and -- and, you know, seven (7) out of
7 the people in the room were actually willing to talk
8 to me.

9 And I then say, That's a -- is that a
10 representative sample? Can I say what Canadians
11 consume in chocolate? This is not that, because they
12 had four (4) out of four (4). So in statistical
13 terms, it's a -- it's a population of four (4),
14 excluding everybody else who is, in fact, in it.

15 So there was no randomness in the
16 sample. Certain statistical tests are not valid. But
17 more to the point is we are not told how or why these
18 four (4) companies -- I mean, I think it's -- I think
19 it would be disingenuous for us to suppose for a minute
20 that they did not agree in advance to being asked that
21 they would, in fact, you know, ask us and we will say
22 yes and do it for you.

23 And so therefore, this is simply a
24 study of the costs of four (4) companies with all the
25 attendant problems that occurred there. But who chose

1 and who decided which companies would be in this
2 sample. I have identified what are probably three (3)
3 of the companies for you by counting the stores.

4 Cash Money, Money Mart, and Cash
5 Canada, which we don't see in Manitoba, but which is
6 big in Alberta. And my belief from the counts, and as
7 I said, the Alberta regulator actually doesn't know
8 how many stores they have, it sounds bizarre, but they
9 don't, but I went and started going and searching
10 every town in Alberta to get an idea.

11 And it looks like it has to be Cash
12 Canada, the third one. I don't know who the fourth
13 one is. I could make some guesses. If I had enough
14 time, I could actually work it out by going to every
15 town in Mani -- in Alberta and counting up every
16 single company and then relating it to the numbers.
17 That's kind of -- kind of overkill.

18 So I know three (3) of the companies.
19 And one (1) of the aspects of that, of course, is that
20 we have just seen Money Mart is the giant there, as it
21 is everywhere. It has over sixty (60) stores in
22 Edmonton and Calgary alone. So it constitutes a 50
23 percent or more of this sample.

24 And we have just seen that its
25 allocated head office costs contain large quantities

1 of stuff that I am challenging. So, therefore, by
2 extension, this, of course, appears in the sample as
3 well. I mean, all those head office costs have been
4 allocated.

5 Deloitte did exactly the same thing
6 that I did. We all know that it's -- that it's the
7 best we could do, and it's not -- not actually right,
8 and that is they allocated everything using revenue
9 shares. And I've done the same to get the twelve
10 dollars and one cent (\$12.01).

11 I said, What's my revenue share of
12 payday as a percentage of each business, et cetera.
13 They've done the same. I'm not disagreeing with them
14 doing that. We both know that it's wrong, but it's
15 better than the -- it's as good as we can -- it's as
16 good a job as we can do.

17 It's what is it that you're allocating
18 that I'm challenging. And hidden in all this data is
19 that -- at the very least, that huge amount of money
20 going into Berwyn, Pennsylvania, or now going into
21 Texas. In addition to that, I wonder, having listened
22 to the Cash Money report, the oral report, I looked at
23 those head office costs and I wondered, Yeah, they
24 seem pretty high as well.

25 I mean, that money is being funnelled

1 into Ontario, and I know what -- what Westerners feel
2 about money going to Ontario. So again, I -- you
3 know, these are -- I don't have annual reports. I
4 don't have audited statements. I have nothing to
5 verify any of this. So I -- that's why I'm not
6 accepting it, but it's clearly not wildly inaccurate.

7 I mean, twelve eighty-four (12.84) as
8 opposed to my twelve-o-one (12.01). And my twelve-o-
9 one (12.01), remember, is -- I'm doing everything as
10 if it were 2013. So -- but of course, the loan sizes
11 increase as well. So that's -- I'm not sure if that
12 answers all your questions, but I think you can see
13 why I have legitimate reason to reject the Deloitte
14 material as it's presented to us.

15 MS. KATHLEEN MCCANDLESS: Now, I
16 understand in -- your Table 4 allocates twelve dollars
17 and one cent (\$12.01)? If we want to pull it up
18 again. Diana can do that. It's -- it's Tab 3. Yeah.

19

20 (BRIEF PAUSE)

21

22 MS. KATHLEEN MCCANDLESS: And if we
23 can scroll down?

24

25 (BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS: Okay.

2 Sorry, if we can go up? Right. Right. Your
3 operating costs per one hundred dollar (\$100) loan in
4 Table 4 is twelve dollars and one cent (\$12.01)?

5 DR. CHRIS ROBINSON: Yes.

6 MS. KATHLEEN MCCANDLESS: And that was
7 calculated including corporate expenses and other
8 depreciation?

9 DR. CHRIS ROBINSON: Yes.

10 MS. KATHLEEN MCCANDLESS: Okay. And
11 as I understand if the -- if you exclude those two (2)
12 items, then your calculation would come out to nine
13 dollars and fifty-three cents (\$9.53)?

14 DR. CHRIS ROBINSON: Yes.

15 MS. KATHLEEN MCCANDLESS: And so the
16 eleven dollars (\$11) is -- is what you assess as the
17 reasonable value then?

18 DR. CHRIS ROBINSON: Your questions
19 are making me wonder whether I should have put it
20 lower but that -- certainly when I submitted the
21 evidence that is what I considered was a reasonable
22 value. Somewhere in the -- in between as a reasonable
23 value.

24 MS. KATHLEEN MCCANDLESS: I understand
25 that you have said that it -- that eleven dollars

1 (\$11) would be favoured to the industry.

2 DR. CHRIS ROBINSON: Yes. I think it
3 -- I think it -- I -- I still think that, but -- yeah.
4 There is one other thing that sort of -- it cannot be
5 managed because of the way we all calculate costs. I
6 referred to this earlier but it shows it most clearly
7 in this table.

8 Recall that this table is prior to the
9 failure of Cash Store. Prior to the failure and
10 therefore the transfer of Cash Store's volume of
11 business to Money Mart to Cash -- to Cash Money to
12 Money Tree, and to everybody -- anybody else that was
13 anywhere where Cash Store was operating.

14 Consequently, we have an increase in
15 volume with no need necessarily to increase costs, and
16 that would reduce the cost per hundred. So it's
17 likely also that even this method of allocating costs
18 and doing it like -- state -- overstates the costs to
19 the industry, or to an efficient provider.

20 But I have -- as I told you, there are
21 techniques to do that. It requires data that I do not
22 have and cannot get from the industry. And I have
23 done it for things like brewers and steel companies
24 but I can't do it here without the data.

25 MS. KATHLEEN MCCANDLESS: And I

1 understand your model uses 8 percent as your -- as
2 cost of capital.

3 DR. CHRIS ROBINSON: Yes.

4 MS. KATHLEEN MCCANDLESS: And the
5 Deloitte report uses a 14 percent weighted average --
6 average cost of -- cost of capital, pardon me.

7 DR. CHRIS ROBINSON: That is what
8 Deloitte says it does.

9 MS. KATHLEEN MCCANDLESS: Diana, could
10 you, please, pull up PUB/CPLA-1-25?

11

12 (BRIEF PAUSE)

13

14 MS. KATHLEEN MCCANDLESS: And I
15 believe that's the attachment, yeah. This is -- okay.
16 Okay, if we could scroll down somewhat...

17

18 (BRIEF PAUSE)

19

20 MS. KATHLEEN MCCANDLESS: You can see
21 here at -- this is the CPLA's response to some
22 questions regarding the WACC. And they assert that
23 there are a number of errors in your calculation of
24 the 2013 WACC for Dollar Financial.

25 First is that the calculation is based

1 on a single debt issue ignoring other debts such as
2 convertible debt. Can you speak to that assertion?

3 DR. CHRIS ROBINSON: You really don't
4 want to get into convertible debt. First of all, you
5 don't see any of it out there, or very little of it.
6 Second, if I were to use what is in front of you for
7 the convertible debt, it will totally understate the
8 value of the cost of capital.

9 I don't really think you want to get
10 into the technical details. These are derivative
11 instruments, and consequently there is an embedded
12 option value that is part of the cost of capital.
13 There is no analytic solution to actually value the
14 rate that these are -- the genuine rate, but let me
15 give you an example.

16 I made a tonne of money in the 1970s by
17 buying convertible preferred shares because the share
18 prices of the oil companies in Alberta went up, and so
19 then the convertible debt became worth a whole lot to
20 me. That cost the company because it had to give me
21 shares that I'd paid very low prices for, in effect,
22 common shares.

23 And that is how -- so the cost of
24 capital of convertible debt is not the debt rate.
25 Furthermore, most of their debt is not convertible.

1 Ten percent is a very high debt rate. That's almost a
2 distressed debt rate in -- in today's markets, or even
3 the markets in 2013.

4 So I was using a high rate at the time.
5 And so, yes, you can do all kinds of complex
6 calculations. In an Information Request I did a whole
7 bunch more calculations since everybody was objecting
8 to what I did. Those calculations pro -- produced
9 what I expected, which was a lower cost of capital.
10 That's why I used the method I did, to try to give a
11 high cost of capital to get at least somewhere close
12 to the clearly erroneous results that Deloitte has.
13 The...

14

(BRIEF PAUSE)

15

16
17 DR. CHRIS ROBINSON: The -- the more
18 legitimate concern that they pointed me to with -- I
19 can't remember if it was CPLA asked me an Information
20 Request or was it Pew? I think it was CPLA that asked
21 me the Information Request. I'd appreciate it if you
22 could find it. Thank you.

23 But the -- the thing that you could
24 most legitimately argue with actually would be the
25 weighting of the debt. I mean, I have it correct. I

1 use book values because there are no market values,
2 but the book is close to market.

3 However, the more significant question
4 might be: What were all of the firms in the industry
5 doing? And so I went to all of the available data,
6 which is a total of four (4) firms. So in my
7 Information Request I went to something like a 10 or
8 15 percent allocation to debt and 80 or 80 -- 85 or 90
9 percent allocation to equity, which raises the cost of
10 capital.

11 But I also then did what they for --
12 well, you'll -- you're going to ask more. They wanted
13 me to use where -- capital asset pricing model, but I
14 knew that would give a lower value for cost of equity.
15 I have been doing this for a long time.

16 And so I went and searched out all the
17 betas. And then I went to Damodaran. And as it
18 happened, Pablo Fernandez sent me an email the same
19 day, but it all comes to the same level. I can tell
20 you what risk premiums are now according to all the
21 experts in five (5) different countries if you want,
22 but all my numbers come to, in fact, the lower cost.

23 And so this, of course, is -- is a
24 thing. I'm sure you have all seen these arguments
25 played out with people who do a lot more work in cost

1 of capital even than I do, and so you're well aware of
2 the -- of the variations that occur in cost of
3 capital. I sort of tried to stack this to the high
4 end, but it's a horse and rabbit stew. It's not going
5 to make a lot of difference, okay?

6 So if you want to argue for 10 or 6 or
7 something, I think 8's too high. If any of you think
8 you can get a real return of 8 percent on your company
9 in perpetuity, I -- can I buy shares in your company
10 at a lower rate? So -- but they require -- I think
11 the important point that's been brought up, and it was
12 CPLA that brought it up, is that I think that my
13 allocation to debt was too high given the whole
14 industry.

15

16 (BRIEF PAUSE)

17

18 MS. KATHLEEN MCCANDLESS: Thanks.
19 Okay, if we could scroll down a little bit, please.
20 CPLA also asserts that you were in error with respect
21 to that second bullet now in determining the mar --
22 market value of the equity using twelve dollars and
23 ninety-five (\$12.95) cents as the high share price?

24 DR. CHRIS ROBINSON: Yes. The...

25

1 (BRIEF PAUSE)

2

3 DR. CHRIS ROBINSON: The last mouthful
4 of coffee had some sludge in it. The -- that may well
5 be. The -- one (1) of the problems of doing cost of
6 capital is the pri -- share price changes every day,
7 so whichever day you choose to calculate on you get a
8 different weighted average cost of capital, so there
9 is no right answer.

10 What I did instead -- that's why I gave
11 this statement already. Remember I changed the
12 allocation to, like, 90 percent equity, 10 percent
13 debt. That more than removes any -- I mean, in other
14 words I'm ignoring the share price. I'm just saying
15 the share -- the only reason you calculate the share
16 price is to multiply by the number of shares, then add
17 the debt to get your total weights.

18 So all I've done is just allocate
19 almost all of the cost of capital to the cost of
20 equity so that I would have -- I -- if you like, that
21 question is no longer relevant, okay, in the -- in the
22 ref -- in the Information Request.

23 And I remember what number I came up
24 with. I think I came up with 7.4 percent, but I'm
25 doing that by memory.

1 MS. KATHLEEN MCCANDLESS: All right.
2 And with respect to the -- the last bullet there, CPLA
3 says that you did not employ the discounted cashflow
4 or capital asset pricing models.

5 DR. CHRIS ROBINSON: Well, there is no
6 such thing as a discounted cashflow method for
7 obtaining weighted average costs of capital. Possibly
8 they're referring to the Gordon Growth Model. Myron
9 Gordon has actually testified in Manitoba, I believe,
10 but, I mean, it'd be a long time ago.

11 You can't use the dividend model in
12 this circumstance with the kind of companies we've
13 got. It's completely irrelevant. It -- it would --
14 who knows what results you'd get. You wouldn't use
15 it, though.

16 I'm assuming that's what they meant to
17 say. And of course I've told you why I didn't use the
18 capital asset pricing model originally because it was
19 going to give a lower result, which it did.

20 The four hundred (400) basis points at
21 10 percent bond yield, how many textbooks would you
22 like me to stack up in front of me and which tell you
23 that that is possibly the oldest method of determining
24 equity cost of capital?

25 I used to reject it as being, well,

1 this is just a rule of thumb. But actually, all of
2 these things are pretty iffy, and it actually seems to
3 work quite well. But remember, you've got to do it in
4 -- in real terms.

5 MR. BYRON WILLIAMS: Madam Chair, just
6 in terms of Dr. Robinson's request to provide the IR
7 responses, they were PUB Information Requests First
8 Round 33 and then First Round 34 that I think provide
9 a different estimate of -- of debt to equity. And
10 I'll just -- there's two (2) of them in a row that
11 might be --

12 DR. CHRIS ROBINSON: Wow, you're --
13 you're incredibly fast, Diana. Thank you. You can
14 see in front of you on the screen right there real
15 cost of equity. I use long Canada's. You should use
16 long-range debt, not short-range debt, when you're
17 doing cost of capital.

18 So they decided they want to get more -
19 - more precise about this. I got more precise. I
20 came up with seven point four (7.4) weighted average
21 cost of capital, and I used only 15 percent debt. So
22 I have gone far beyond their concerns.

23 Unfortunately, the reality, as I'm sure
24 the Board has seen before, is that you will get
25 experts who will come up and testify to six (6)

1 different rates of return. And they will all tell you
2 that only they are right. I at least admit that I
3 might not be right, but here's the reasonable range.

4 The most important part is this has to
5 be real, which it seems that none of the -- none of
6 these accounting firms understand. It has to be real
7 because this a perpetuity.

8 Otherwise, what we would have to do if
9 we wanted to say, Are they charging too much?, is we'd
10 have to each year do a spreadsheet for the next
11 hundred years in which we inflate all the numbers
12 every year. So we reduce everything to real dollars
13 and real rates, and this is basic finance.

14

15 CONTINUED BY MS. KATHLEEN MCCANDLESS:

16 MS. KATHLEEN MCCANDLESS: If we could
17 scroll up in that Information Request. We can stop
18 right there. I -- from what I gather, you gave -- it
19 was Pro -- Professor Damodaran of NYU?

20 DR. CHRIS ROBINSON: Yes.

21 MS. KATHLEEN MCCANDLESS: Okay.

22 DR. CHRIS ROBINSON: Damodaran.

23 MS. KATHLEEN MCCANDLESS: Damodaran.

24 DR. CHRIS ROBINSON: Yeah.

25 MS. KATHLEEN MCCANDLESS: Pardon me.

1 And you pointed out the range of return would be 5
2 percent for banks at the bottom there?

3 DR. CHRIS ROBINSON: Yes.

4 MS. KATHLEEN MCCANDLESS: All right.

5 And if we assume an expected inflation rate of about 2
6 percent, that translates into the cost of equity of
7 just under 7 percent to just under eleven (11).

8 Could you explain how Dr. Damodaran's
9 assumption on return to banks is applicable to the
10 Manitoba payday lender context?

11 DR. CHRIS ROBINSON: His -- his
12 estimate for banks is not applicable at all. Yes,
13 banks are financial institutions, but even the US
14 banks are a lot smaller than ours. That's -- although
15 that's ceasing as we start to buy up their banking
16 sector.

17 But even so, even a relatively small
18 American bank would be -- well, I could be wrong, but
19 he's -- he's -- what he's got -- he's got -- I'm
20 sorry. Let me explain. He's got an average of a
21 whole bunch of banks. Like we've got six (6) in
22 Canada, basically, but the US has got thousands. And
23 he had, I don't remember, some number, forty (40),
24 fifty (50), a hundred or something.

25 They would have been a particular class

1 of banks. They would be ones that take deposits, and
2 so they would look sort of like our banks. Most of
3 them would be -- almost all of them would be smaller
4 than our banks.

5 But these businesses would be a lot
6 bigger than payday lenders. And they would be more
7 diversified on average than payday lenders. And you
8 would think reasonably that their costs of capital --
9 I mean, I can't prove this because risk is a slippery
10 thing. But reasonably you would think that a bank
11 index would be lower risk, and therefore not an
12 appropriate comparator for what is essentially a small
13 retail business.

14 So I rejected the banks. Oil field
15 services I'm likewise rejecting because, of course,
16 it's gone crazy recently with respect to the -- and
17 this is current data. It's gone crazy with the
18 falling oil prices. So you got to be somewhere in the
19 middle of this.

20 There -- there was no classification --
21 I went through his entire list. There was nothing in
22 there that I could say, Ah, this is the comparator I
23 want for my four (4) payday lending firms. And there
24 only are four (4), so he's not doing them separately.
25 They are so small he doesn't even know they exist.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 Diana, could we, please, go to Table 5? That's at
3 page 23 of the Coalition's prefiled evidence, Tab 3.
4 And if -- we scroll down somewhat but just -- sorry,
5 go back up a little bit. And this is the calculation
6 of cost of capital.

7 The paragraph ahead in -- above the
8 graph, you say the debt rate must be after -- after
9 tax. And you used a 25 percent marginal rate which is
10 perhaps a bit low but conservative. You see that
11 there?

12 DR. CHRIS ROBINSON: Yes.

13 MS. KATHLEEN MCCANDLESS: Okay. Can
14 you explain why that number is conservative?

15 DR. CHRIS ROBINSON: It's conservative
16 because I'm out of date about taxes. It's actually
17 just about dead on. I have been informed orally that
18 the marginal tax rate, federal and provincial combined
19 for a large firm in Manitoba is 27 percent. I thought
20 twenty-five (25) was low, but obviously I'm old.
21 Taxes used to be higher.

22 It should be -- because of the
23 companies I'm looking at would be -- if in Manitoba
24 would be subject to large company rates, I believe, I
25 think I should be using the large company rate. I

1 mean, changing it from twenty-five (25) to 27 percent,
2 it only makes a difference of three (3) decimal
3 places, so it's not going to matter.

4 The argument might be that it should,
5 in fact, be 11 percent, and -- which is the combined -
6 - I'm informed orally again is the combined
7 federal/provincial/corporate rate for Manitoba. It's
8 still -- I mean, we could work out the numbers. It's
9 still not going to make a lot of difference,
10 especially since if you accept my Information Request
11 where -- or if you change the waiting to 90 percent
12 equity/10 percent debt you end up with, you know, the
13 debt -- whatever -- whatever the debt rate -- you
14 know, changes in the debt rate just don't matter.

15 They just have no effect on the cost of
16 capital that you can notice. Remember, these are
17 estimates. I mean, I -- I've got one (1) decimal
18 place there, and then I just said, I'll use 8 percent.
19 That's still more precision than is actually warranted
20 with these sort of calculations.

21 That is, of course, why Deloitte didn't
22 say, Oh we gave you 14.12 percent, or we gave you
23 13.78 percent. They said fourteen (14). That's as
24 accurate as you get.

25 So I -- I've given you two (2)

1 estimates THAT SAY seven point four (7.4) and seven
2 point nine (7.9). I'll take either of them. I'll
3 take the 8 percent that I used in the model as being
4 perfectly representative, and as good as we're going
5 to get.

6 MS. KATHLEEN MCCANDLESS: Thank you.
7 If we could go to PUB/CAC-1-34?

8

9 (BRIEF PAUSE)

10

11 MS. KATHLEEN MCCANDLESS: And this
12 relates to the cost of debt and weighed average cost
13 of capital. If you could just scroll up a little bit,
14 please, Diana?

15

16 (BRIEF PAUSE)

17

18 MS. KATHLEEN MCCANDLESS: So the
19 question was:

20 "Discuss the reasonableness of using
21 10 percent for the interest rate,
22 and whether it would be applicable
23 for other smaller payday lenders,
24 and then if there is a different
25 rate, please, indicate the impact on

1 the weighed average cost of
2 capital."

3 And then can we scroll own, please, to
4 your response there:

5 "The interest rate of 10 percent is
6 very high in this era of low rates."

7 Is what you've commented. My question
8 is, simply, for the rate of return did you use
9 industry specific data or not?

10 DR. CHRIS ROBINSON: No, you can't --
11 I mean, I can't get industry specific data. These
12 companies are so small. Let me explain how investment
13 dealers get bond rates. How investment dealers
14 estimate bond rates is they take huge spreadsheets in
15 which they look at -- they look at bond issues where
16 the -- where the rates are actually known, bonds that
17 are widely traded.

18 So these are big companies, or
19 governments. They then create a ser -- a matrix. And
20 this is partly what Damodaran does in his work as
21 well. They create a matrix based on, brace
22 yourselves, on collateralized debt securities, the
23 things that half wrecked the US a few years ago, and
24 they interpret these to give them credit default
25 spreads.

1 So if -- if you're lending to Chris
2 Robinson, how risky is he, you know, compared to -- to
3 Ms. McCandless, and so, you know, she's a lawyer, he's
4 an accountant. So we -- you know, we assign that he's
5 much riskier. So we require him -- even though we
6 don't know anything about -- you know, we don't know
7 anything more about either of them, we start with her.

8 We say lawyers are worth 4 percent
9 rates, so accountants have got to be 1.28 percent
10 higher. And that's how they price all this debt,
11 which is never traded. These debt trades are --
12 somebody says -- you know, an insurance company says,
13 I need some stuff that's going to have five (5) year
14 maturity to match my -- match my -- to match the
15 liability side of my book. Have you got 150 million.

16 And they trade 150 million like that
17 and you just don't see it happening. So the answer to
18 you is I can't get that -- I mean, could I do that
19 kind of work, yes. If you're prepared to pay me
20 twenty (20) or thirty thousand dollars (\$30,000) in
21 fees, I can create those sort of matrices, but it's
22 kind of nuts, because 10 percent is what they were
23 paying, or fairly close to what they were paying.
24 That's a very high rate and so it seems reasonable to
25 -- to use that.

1 And I didn't try to use the rate that I
2 think the smaller firms who may well be having to
3 collateralize, because again, if they lend to you or
4 me they're in fact lending -- or our businesses,
5 they're lending on our houses. I mean, that's when
6 they say, No, we're not lending you any money, a
7 lawyer, are you kidding. Where's your house? You
8 know, let me see your house. Okay. Good. I'll lend
9 you -- you know, I'll lend you half a million and --
10 Vancouver prices.

11 And so consequently I -- I can't be
12 more accurate than that and they said we're only
13 putting ten (10) or 15 percent on the deck. This is -
14 - is as good as it's going to get.

15 MS. KATHLEEN MCCANDLESS: Thank you.
16 Just to jump back quickly on the question of the tax
17 rate and the WACC.

18 DR. CHRIS ROBINSON: Yes.

19 MS. KATHLEEN MCCANDLESS: The 11
20 percent tax rate, if -- if you were to use that, what
21 would that do to your calculation of WACC?

22 DR. CHRIS ROBINSON: .1 percent,
23 because the debt rate is 10 percent. The tax rate is
24 11 percent. And the weighting is 10 percent. Work it
25 out and you get .1 percent difference.

1 MS. KATHLEEN MCCANDLESS: Thank you.
2 I'm going to move onto the question of bad debt, which
3 we heard a fair amount about yesterday. If we could
4 go to PUB/CAC-1-32, please, Diana. And the question
5 was the reasonableness of the bad debt rates
6 calculated in the economic analysis and a comment on
7 that provided in Deloitte LLP report.

8 And I'm sure you recall that Deloitte
9 used six dollars and thirty-five cents (\$6.35) as bad
10 debt, yes?

11 DR. CHRIS ROBINSON: I do.

12 MS. KATHLEEN MCCANDLESS: Okay. And I
13 understand that the -- the CPLA's evidence in one (1)
14 of their IRs was that bad debt rates remain constant.
15 If you could scroll down to the -- your answer.

16 And I believe we heard a little bit
17 about that apples to apples comparison yesterday?

18 DR. CHRIS ROBINSON: I more just don't
19 like the source. However, I just realized reading
20 this I never actually answered Part B of the
21 Information Request. I submit that I have answered
22 it, that I answered it in front of the Board without
23 having -- without prior knowledge of how it would turn
24 out, to demonstrate that I'm actually more interested
25 in the answers than I am in the politics.

1 Because, in fact, the rate that I
2 extracted from Cash Money's oral testimony was four
3 point four (4.4). It's in fact double. And you have
4 now seen the results of that. Okay. You've seen what
5 those results do. That is a -- that was a reasonable
6 request. And I'm sorry, I -- I sort of went 'A' to
7 'C' and missed 'B' and wasn't thinking. And it's very
8 convenient that Cash Money happened to give me the 4.4
9 percent.

10 So the 4.4 percent, it seems to me,
11 means they should be doing some underwriting, because
12 Money Mart has been so consistently doing so much
13 better. But I'm not in the industry, so I don't know
14 what's going on. And they won't give us the numbers,
15 so I can't tell you more than that.

16 I reject the Deloitte numbers. I've
17 already explained why repeatedly. The 4.4 percent, I
18 don't have any audited results for that. But you can
19 -- you can decide for yourselves whether you like that
20 number or not, but you've seen what it does. And to
21 repeat what it does, is it seems likely that at a 15
22 percent rate, that -- that there's a -- a negative --
23 that there's an excess loss, an economic loss.

24 MS. KATHLEEN MCCANDLESS: There was a
25 -- a 2007 Deloitte report which was provided in an

1 Information Request from the PUB to the CPLA. I'm not
2 sure if you had an opportunity to see that report.

3 DR. CHRIS ROBINSON: Yes, I've seen
4 it.

5 MS. KATHLEEN MCCANDLESS: Perhaps we
6 could have a look at that. And that's at PUB/CPLA 1-
7 15. Diana, it's going to be page 12, I believe, of
8 the document, of the appendix to that.

9

10 (BRIEF PAUSE)

11

12 MS. KATHLEEN MCCANDLESS: Page 12.

13

14 (BRIEF PAUSE)

15

16 MS. KATHLEEN MCCANDLESS: If you could
17 scroll down somewhat.

18

19 (BRIEF PAUSE)

20

21 MS. KATHLEEN MCCANDLESS: You'll just
22 have to bear with me for one (1) second while I get my
23 reference.

24

25 (BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS: Yeah, if we
2 could -- it's -- I see it's page 9 there, so if we
3 keep going down. There we go. Okay, bad debt costs
4 at five point four (5.4). So if I understand the --
5 the data in this graph, as the loan volume goes up,
6 the bad debt rate goes down?

7 DR. CHRIS ROBINSON: Yes, if you
8 actually believe the results.

9 MS. KATHLEEN MCCANDLESS: Okay. But
10 then ultimately, the -- what it averages out to is
11 four dollars and forty-nine (\$4.49) cents. You can
12 see the reference under five point four (5.4), there?

13 DR. CHRIS ROBINSON: Allegedly.

14 MS. KATHLEEN MCCANDLESS: And perhaps
15 you could just enlighten me on your comment before
16 that, if you beli -- I believe it was, if you believe
17 the -- the data.

18 DR. CHRIS ROBINSON: This data is not
19 worth anything. The sample selection in this report
20 carefully excludes most of the firms in Manitoba, and
21 therefore, it's not representative of anything. I
22 have no idea why they chose, whether they were chosen,
23 whether they agreed to provide the -- what happened.
24 But I would not accept anything in this report as
25 being of evidentiary value.

1 So I'll jump away from that document, then. And I
2 just wanted to take you to that Ernst & Young report
3 that you spoke about a minute ago, which is at
4 PUB/CPLA-1-25.

5

6 (BRIEF PAUSE)

7

8 MS. KATHLEEN MCCANDLESS: And page 11
9 of that report, please.

10

11 (BRIEF PAUSE)

12

13 MS. KATHLEEN MCCANDLESS: All right.

14 At item 4, Bad Debt Costs, the report says:

15 "There does not appear to be a
16 standard approach to defining 'bad
17 debt' in the payday lending sector."

18 And then if we scroll down to the third
19 paragraph, it says:

20 "A bank will typically incorporate
21 the expected risk of bad debts in
22 the interest rate that it charges on
23 its loans. The risk premium is
24 generally in the form of an
25 adjustment to the rate rather than a

1 fixed dollar amount in addition to
2 the interest charge."

3 And then the next paragraph down, it
4 says:

5 "Following this practice, bad debt
6 costs are allocated to performing
7 loans as a fixed percentage on the
8 principal amount of the loans. They
9 are not allocated to performing
10 loans as a fixed dollar amount per
11 loan, regardless of its size.

12 And there are four (4) costs
13 associated with bad debts that must
14 be recovered through higher charges
15 on all performing loans."

16 And then it gives those four (4) --
17 four (4) costs.

18 Can you provide your comment on Ernst &
19 Young's assumption in this report on bad debt?

20 DR. CHRIS ROBINSON: Please recall
21 that Ernst & Young did not actually model the firm.
22 It said, These are the costs in some sort of economic
23 vacuum. That is, they did not start with revenue and
24 say, What will be the cashflows associated?

25 So that the way they calculate their

1 numbers -- I mean, the statements they make are
2 correct in terms of if you are setting an interest
3 rate. But remember, we're not setting an interest
4 rate. We actually have fees. This is not an interest
5 rate. It is a fee whose principal purpose is to -- is
6 to cover salaries and so on, right?

7 I mean, banks lend money on the basis
8 of somebody makes -- I mean, I have a friend who's --
9 who signs 800 million to \$1 billion loans to -- to
10 mining companies. I mean, the amount of time that is
11 spent on those is substantial, but on a dollar -- you
12 know, on a per-dollar basis it's tiny, whereas here
13 the -- the staff are spending -- you know are -- are
14 the principal cost, and -- and all the evidence shows
15 that.

16 So the -- the way that I'm -- really,
17 I'm repeating what my model does. It says, Here's --
18 here's your revenue minus the bad debts. That's how
19 you'd actually account for it.

20 If you like, I can write out the
21 account -- the journal entries for you. I have not
22 forgotten my accounting. And what you will do is you
23 will write out -- you will record the revenue, and
24 then, when you fail to collect it, you will remove it
25 from revenue, which is exactly what I did.

1 Then the bad debt cost is the principle
2 that you lost. And that is what I've done in my
3 model, and that's not what they're doing, okay? It's
4 very clear that's not what they're doing.

5 So you have to -- you can't use their
6 percentage rate in the same way that I do. You have
7 to have the percentage rate as the dollars lost. As I
8 said with Dr. Buckland yesterday, I put fifty dollars
9 (\$50) out and, you know, he -- he absconded with it.
10 That's what I lost.

11 Now, in economic terms, in fact I had
12 to put the fifty (50), but -- but it's gone. That's
13 my loss. In addition, I didn't get the twenty dollars
14 (\$20) revenue. But I don't say that I had no revenue
15 and a hundred and twenty dollars (\$120) loss.

16 That's what they're saying. They're
17 saying, We lost a hundred and twenty dollars (\$120) on
18 this, but they only lost a hundred, okay? I mean, all
19 I've got, I've got no money left, right? So I lost a
20 hundred. He didn't take the twenty (20). He tried,
21 but he didn't get the twenty (20) out of my wallet,
22 too, okay?

23 However, in economic terms, naturally I
24 do have to allow in my rates for the fact that I will
25 lose a certain amount of that. My model does exactly

1 that, but it's not doing it in their terms.

2 They expressly said they were not
3 modelling the firm, and that has to be -- so
4 therefore, the way I'm doing it re -- requires a
5 different bad debt rate. You have to back out the
6 effective debt rate, which, for example, is what I did
7 when I was reverse engineering the costs reported
8 orally by Cash Money. That's how I came up with their
9 rate of 4.4 percent.

10 Also, they stayed at a one (1) out of
11 fifteen (15) rate, but that was number of loans, not
12 value of loans.

13 MS. KATHLEEN MCCANDLESS: Thank you.
14 And I -- we have heard your evidence on Money Mart
15 having -- always having good control of its bad debts.

16 DR. CHRIS ROBINSON: Well, and I don't
17 know what it is. Maybe they're just lucky, but
18 everything that we see -- Ernst & Young has a range.
19 Now, remember, they're calculating it wrong, but they
20 have a wide range of bad debt rates. One (1) or two
21 (2) of those I recall looking at and saying, That --
22 whoever that company is they've had the best --
23 they're going bankrupt.

24 I think we had somebody who had 14
25 percent bad debt rate listed in their report. But --

1 and of course, I could -- Money Mart was in their
2 report. Well, they wouldn't admit that, but it pretty
3 -- I think it had to be. And it was -- there were
4 rates lower than Money Mart.

5 So there were companies lower than
6 Money Mart at that time with lower bad debt rates, it
7 would appear. But in terms of all the data I've been
8 able to verify myself, Money Mart does seem to have
9 the lowest, and consistently low, bad debt rate so
10 that it -- this is not a high risk. It's an expense.
11 It's a big expense, but it's not a high risk if you
12 keep the same rates. It's just another expense.

13 It's like salary and occupancy. You've
14 got to pay it. And so I'm inferring that they have
15 good control. They were furthermore early to stop
16 rollovers, and rollovers -- as soon as you start doing
17 a lot of rollovers, you're heading for bad debts,
18 right. These people are just not going to pay.

19 They were, I think, earlier than others
20 -- what they tend to do is they put it into collection
21 as soon as you don't pay off as opposed to saying:
22 Oh, well, we'll just give you some more time. Just
23 pay us a bit more money. I could be wrong about this,
24 and we don't have anybody here from the CPLA here to
25 correct me, but my recollection is that Money Mart was

1 also less likely to lend on anything other than sound
2 unemployment income. I believe now they'll loan on -
3 - on a wide variety of things. But I think they were,
4 among other things, slower than other firms to say, Oh
5 we'll acce -- accept others.

6 I certainly recall talking to Money
7 Mart at the time, possibly to Mr. Bishop, actually,
8 but I -- I don't remember who, and they said: No, no,
9 we're not going to lend on these sort of things. This
10 is just not -- not a good -- good business model. So
11 sort of all of these signs seem to indicate that they
12 are -- are quite careful. Now, whether that's what
13 they should be doing, I don't know, but the result --
14 the proof is in the pudding in that they do have the
15 lowest bad debt rates.

16 Oddly, Cash Store, which I have said
17 was -- were -- were a bunch of cowboys, their -- their
18 bankruptcy filing shows lower rates than I expected.
19 I reported them in -- either in the paper or in an IR.
20 I found -- you know, I dug this out. And when you
21 work out -- and they actually show you the calculation
22 they've spoken about.

23 They say: Well, here's the actual rate
24 on the cash basis. Okay, this is how you have to
25 calculate it. And I think it was three point one

1 (3.1) -- 4.1 percent, and then 3.1 percent in the last
2 two (2) periods. Something like that.

3 MR. BYRON WILLIAMS: I believe Dr.
4 Buckland gave you that IR.

5 DR. CHRIS ROBINSON: Oh, I'm sorry.
6 Yes, he did. It's IR-130 -- oh, it is thirty-four
7 (34). We just looked at it, so -- we looked at it a
8 minute ago.

9 The last Cash Store Financial report
10 that is available on SEDAR is for the three (3) months
11 ended December 31st, 2013. Loan loss provision of 4.1
12 percent for 2012, 3.1 percent for the three (3) months
13 ended December 31st, 2013. Now, they're much higher
14 than Money Mart, but they're a lot lower than the
15 results we're hearing elsewhere.

16 And, of course, Cash Store Financial
17 was the second largest operation in Canada. And given
18 the sort of trouble they were in, you'd think that
19 they would be getting the worst possible customers and
20 having the biggest possible problems, and yet there is
21 the reso -- results from their filed financial
22 statements with the Ontario Securities Commission. But
23 they're not -- those are quarterly, so they're not
24 audited.

25 MS. KATHLEEN MCCANDLESS: Thank you.

1 I am going to be moving on to another topic with
2 respect to Dr. Robinson's model. And since it is four
3 o'clock, I'm wondering if we should adjourn for the
4 day?

5 THE PANEL CHAIRPERSON: There was a
6 que -- oops. There was a question from the panel. We
7 were not sure how much you have left to do. Like,
8 people are willing, I think, to stay late. But if --
9 and then not come tomorrow, but if you've got quite a
10 bit to do then we -- we'll come tomorrow. So we're
11 just not sure...

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And, Madam Chair,
16 we also have a -- a fairly extensive undertaking to
17 report on tomorrow as well. I just -- it -- you know,
18 it -- again, we're at your -- we do as the panel
19 wishes, but I just would remind the panel --

20 MS. KATHLEEN MCCANDLESS: Yeah, I -- I
21 expect --

22 THE PANEL CHAIRPERSON: I think --
23 sorry, go ahead.

24 MS. KATHLEEN MCCANDLESS: I -- it
25 would be at least another hour of -- of questions,

1 likely. So I'm happy to stay but mindful of everyone
2 else's schedules, and so I'm at the disposal of the
3 panel.

4 DR. CHRIS ROBINSON: I -- I mean, I'm
5 stuck here until my plane flies out at 6:35 tomorrow
6 night, so you -- you have to be finished before then.

7 THE PANEL CHAIRPERSON: Okay. Then I
8 think we'll -- hearing Mr. Williams's comment, and
9 then your -- your amount of time, I think we will
10 continue tomorrow. But I think then we'll adjourn
11 now, before you have your next set of questioning.

12 MS. KATHLEEN MCCANDLESS: Thank you.

13 THE PANEL CHAIRPERSON: So I'd like to
14 thank everybody for being here today, and I think
15 we're going to adjourn the meeting now, and we'll
16 begin tomorrow at 9:00 a.m.

17 MS. KATHLEEN MCCANDLESS: Okay. Yes.

18 THE PANEL CHAIRPERSON: Okay. Thank
19 you very much.

20

21 (PANEL RETIRES)

22

23 --- Upon adjourning at 4:02 p.m.

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Certified correct,

Bob Keelaghan, Mr.