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MANITOBA PUBLIC UTILITIES BOARD

Re: TO DETERMINE MAXIMUM FEES
FOR PAYDAY LOANS

Before Board Panel:

Graham Lane	- Board Chairman
Monica Girouard	- Board Member
Susan Proven	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
December 3rd, 2007

Pages 1935 to 2191

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9	COALITION-11	Document identified at the top left	
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16	RC-18	Document identified as Undertaking 66,	
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1		LIST OF UNDERTAKINGS	
2	NO.	DESCRIPTION	PAGE NO.
3	70	Mr. Gordon Reykdal to provide	
4		amount of total dollars that have	
5		been contributed to the credit	
6		counselling agencies in 2007,	
7		specifically for Manitoba.	1981
8	71	Mr. Gordon Reykdal to clarify, based	
9		on the referenced information in the	
10		footnote, what the agreement actually	
11		provides in conjunction with a payday	
12		loan advance offered through Rentcash.	
13		Secondly, attempt to clarify, for the	
14		record in its entirety, the various	
15		amounts that have been referred to by	
16		Rentcash in all of its submissions and	
17		acknowledged by the witnesses, that there	
18		are obviously some inconsistencies.	2002
19	72	Rentcash panel to provide statistics	
20		on how many consumers come in to cancel	
21		loans annually.	2022
22	73	Rentcash panel to provide definition	
23		of what is included in "number of	
24		transactions."	2086
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1 --- Upon commencing at 9:10 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning
4 everyone.

5 Before beginning this morning, I am going
6 to call on Ms. Southall to remind all parties what our
7 schedule is today.

8 MS. ANITA SOUTHALL: Thank you, Mr.
9 Chairman. Good morning to everyone in attendance today.

10 This morning we're beginning with a
11 presenter who's been scheduled in for the hearing today,
12 and his name is Professor Bruce Duggan of Providence
13 College and Seminary. I think I've got that right. He's
14 nodding his head to me.

15 Professor Duggan will be a presenter,
16 which means he will make a presentation to the panel and
17 be subject to follow-up questions from the panel members
18 only, which is the course of a presenter's participation.

19 Thereafter, we will return to the cross-
20 examination of the Rentcash panel and complete that
21 cross-examination, hopefully this morning.

22 Thank you, Mr. Chairman.

23 THE CHAIRPERSON: Very good. Thank you.

24 Welcome, Professor Duggan. You can begin
25 your presentation at any time.

1 PRESENTATION BY PROVIDENCE COLLEGE AND SEMINARY:

2 PROFESSOR BRUCE DUGGAN: Good morning,
3 Mr. Chairman, members of the Board. Thank you for this
4 opportunity to present. My presentation should take
5 twenty (20) minutes.

6 My name is Bruce Duggan. I teach in the
7 business administration program at Providence College and
8 Seminary in Otterburne.

9 One of the areas we focus on is business
10 ethics. You've heard an economic perspective, financial
11 theory perspective, and cost analyses.

12 A business ethics perspective is equally
13 important. Because I teach in a Christian college, it
14 will come as no surprise that my presentation approaches
15 the question of business ethics from a Christian
16 perspective.

17 Questions of debt and fair interest rates
18 have received considerable attention from Christian
19 thinkers. However, the religious discussion of debt has
20 not been confined to Christianity.

21 The ethics of charging interest and the
22 shared social responsibility for those in debt is a
23 prominent theme in the Jewish Bible and Muslim finance.

24 These three (3) religious traditions
25 provide insights directly applicable to the situation

1 before you.

2 First, while Islam does not allow
3 interest, it does allow transaction fees. However, those
4 fees must be based on the time it takes to process the
5 transaction. If they are on a sliding scale based on the
6 amount of debt, they are not transaction fees. They are
7 interest.

8 Second, both Jewish and Christian
9 traditions tell us that we should be particularly
10 concerned when the wages of working people become subject
11 to debt.

12 And third, Jewish texts highlight the
13 inequality of power that arises through debt. Even
14 though the debtor and lender may have begun their
15 relationship as equals, over time, power shifts from
16 borrower to lender, and the borrower -- borrower becomes
17 increasingly vulnerable.

18 And, finally, all three (3) traditions
19 tell us the entire community must be concerned about that
20 vulnerability, that debt is not simply a private matter
21 between lender and borrower.

22 How can we apply these insights to this
23 place and time? Adam Smith advocated for the market
24 economy on ethical grounds. He claimed that each
25 individual pursuing their own interests would provide the

1 greatest possible material benefit to society.

2 We have accepted that argument and allowed
3 the market to flourish, and it has worked exactly the
4 benefits Smith predicted.

5 However, even the most ardent advocate of
6 free markets, Milton Friedman, did not suggest markets
7 should operate without constraint. He said they must
8 operate while conforming to the basic rules of society,
9 both those embodied in law and those embodied in ethical
10 custom.

11 And that is why we are here today, to
12 determine for this industry what the basic rules of our
13 society are, both from law and from ethical custom, to
14 which they must conform.

15 I've read a fair amount of the material
16 relating to these Hearings. You have my sympathy. It
17 seems to me that clearing away the underbrush, you are
18 faced with two (2) simple questions.

19 First, what is the role of the Public
20 Utilities Board in this matter?

21 And, second, what should the definition of
22 "interest" in these regulations be?

23 I think I can show that answering these
24 two (2) questions will resolve almost all the issues
25 you've been wrestling with. I'll try to give answers to

1 both questions and to convince you to adopt them.

2 What should the role of the Board be?

3 When setting payday loan rates, you will be giving these
4 rates legitimacy. You'll be saying, on our behalf, that
5 our society sees them as fair and reasonable.

6 Payday advocates have wanted you to
7 concentrate on their financial viability. One of their
8 expert presenters referred to these proceedings as a
9 "rate hearing." This would be true if payday loan
10 companies were a public utility. They are, of course,
11 not a public utility, and this is not a rate hearing.

12 Instead of focusing on the viability of
13 the industry, I think there is convincing evidence that
14 your mandate is to protect consumers.

15 First, the legislation does not instruct
16 you to consider whether or not these businesses are able
17 to earn a profit. You are free to consider that question
18 but are not required to do so.

19 Secondly, in the Speech from the Throne
20 the bill was described solely as a means of consumer
21 protection. In debating the bill in the Legislature and
22 in its appearance before the committee, Mr. Salinger, on
23 behalf of the Government, repeatedly referred to the
24 bill's goal as "consumer protection."

25 In fact, Mr. Salinger said consumers were

1 in need of protection from criminal activity. I quote:

2 "It is our opinion that right now the
3 industry is actually operating outside
4 of the Criminal Code and is, in fact,
5 illegally charging interest rates which
6 go beyond the 60 percent maximum
7 described."

8 End quote.

9 Third, the CPLA has tried to get business
10 viability written into the Act to have it equal with
11 consumer protection. They presented an amendment and
12 flagged it as their top priority. That amendment failed.
13 No one from any political party advocated for their
14 amendment in committees. And when the bill came back to
15 the House, no one advocated for it there either. They
16 cannot secure here what they failed to achieve there.

17 Finally, we should consider the name of
18 the Act under which these Hearings are operating, the
19 Consumer Protection Act. Its name is its purpose.

20 Considerable time has been spent in these
21 hearings attempting to demonstrate the profits in this
22 sector are not excessive. From a consumer protection
23 perspective, this question is irrelevant.

24 We prohibit the sale of cocaine, not
25 because drug dealers make too much money, but because

1 cocaine causes harm. If a company is selling lead-
2 contaminated toys, we do not ask if their profits are
3 excessive. We ask only whether or not the toys cause
4 harm.

5 This is the test in consumer protection.
6 Does the product cause harm and, if so, is that harm
7 significant? So, does the payday loan industry cause
8 harm?

9 Here you have been presented with
10 contradictory evidence. Some witnesses insist that
11 payday loan companies cause grave harm to vulnerable and
12 desperate people.

13 On the other hand, payday advocates insist
14 customers are rational decision makers choosing their
15 services because they are convenient. The CPLA says that
16 their portrayal is backed by polling and focus group
17 data.

18 There are problems with this data. First,
19 because it was done by telephone, the poll did not
20 capture a representative sample. It didn't include
21 people who wouldn't answer their phones because they were
22 being hounded by collection agencies.

23 It didn't include people who had lost
24 their phone service because they couldn't pay their bills
25 or those who had moved frequently, either by choice or by

1 necessity.

2 I am not suggesting that the survey was
3 deliberately skewed to omit these people but that most
4 transient and the most vulnerable were omitted,
5 nonetheless.

6 The second problem is the focus groups.
7 The picture is not as positive as payday advocates would
8 like. Four (4) of the sixteen (16) participants
9 expressed reservations, calling the fees "crazy" and
10 "horrendous" and describing the cycle of debt payday
11 loans can create.

12 Witnesses who are not payday advocates
13 describe payday users as

14 "poor, burdened with multiple loans,
15 sometimes unable to meet basic needs
16 because their bank accounts have been
17 emptied out by lenders."

18 They report families whose entire social
19 assistance or paycheque is consumed in repaying debts.
20 These are not isolated instances.

21 You have heard testimony that the majority
22 of women in ten (10) shelters across Manitoba have had
23 similar experience, and that testimony has not been
24 challenged by anyone.

25 You have heard witnesses report all these

1 things, but there is one (1) witness you may not have
2 heard. David Lane (Phonetic), a counsellor in East
3 Kildonan, appeared before the legislative committee as a
4 private citizen.

5 He described three (3) clients of his who
6 use payday companies to feed gambling and alcohol
7 addictions. He said:

8 "These people have exhausted their
9 friends and their families for money,
10 and still they continue in their
11 addictions. These institutions of
12 finance, if we -- if we wish to call
13 them that, helped to be in a -- helped
14 them to be a position of continuing
15 their addiction. Why are charges not
16 being laid [he asked]?
17 Why are these places not being closed
18 down? Why are people able to flaunt
19 the law in the face of society?"

20 You'll remember Milton Friedman saying
21 that

22 "Business must operate within commonly
23 held ethical norms."

24 That was the sound of those ethical norms
25 being violated.

1 taken advantage of by unscrupulous and
2 greedy payday loan companies, but this
3 is not the experience of the majority
4 of customers."

5 Unfortunately for the CPLA, consumer
6 protection is not a balancing test. We don't weigh up
7 the benefits and harms and if 60 percent of people are
8 benefited and only 40 percent of people are harmed, leave
9 the product in the marketplace.

10 We don't sacrifice the minority for the
11 majority. Instead we ask, In the normal course of
12 events, does this product cause harm to a significant
13 number of people?

14 There is no numerical test for what
15 "significant" means. In our society, we require
16 regulatory bodies, like you, acting on our behalf, to
17 decide whether or not these people are significant.

18 Are they significant, or should they be
19 ignored? To ask the question is to answer it.

20 So, what is the role of the Public
21 Utilities Board in this matter? The answer, I think, is
22 to prevent the significant harm payday lending causes.

23 And, so, to the second question, what
24 should the definition of interest in these regulations
25 be?

1 Last January, the CPLA appro -- proposed a
2 fee of twenty dollars (\$20) per a hundred (100) loaned.
3 By September, when Professor Gould presented his report,
4 the range had crept up to twenty (20) to twenty-three
5 dollars (\$23), plus regulatory costs.

6 When Mr. Schinkel appeared before you on
7 November 20th, it had jumped to twenty-six eighty-seven
8 (26.87).

9 On November 28th when Mr. Clinton spoke,
10 the number was raised to thirty-five dollars (\$35).

11 I wonder, if these Hearings continue much
12 longer, how high the number might go.

13 Payday advocates have asserted these --
14 that these fees are not interests -- are not interest.
15 There are two (2) difficulties with this assertion.

16 First, if they are not interest, they must
17 be transaction fees. However, fair and reasonable
18 transaction fees must reflect the time required to
19 process the loan. Unfortunately, as the owner of CashX
20 has said:

21 "When you come into my office and I
22 underwrite you for a hundred dollar
23 (\$100) loan, it takes the same amount
24 of time and the same amount of cost,
25 barring bad debt, as the five hundred

1 dollar (\$500) loan takes."

2 To be fair and reasonable then, the five
3 hundred dollar (\$500) loan should have -- should have the
4 same fee as the hundred dollar (\$100) one, and this is
5 not what payday advocates have proposed.

6 They want the fee you sanction to increase
7 as the loan increases. A fee prorated to the amount of
8 the loan, and therefore to the risk of the lender, is
9 interest. Calling it by another name is a misuse of
10 language.

11 Second, and more importantly, the Criminal
12 Code of Canada clearly defines these fees as interest,
13 quoting:

14 "Interest means that the -- means the
15 aggregate of all charges and expenses,
16 whether in the form of a fee, fine,
17 penalty, commission or other similar
18 charge or expense or in any other
19 form."

20 End quote.

21 Petty advocates have said that they are
22 part of a financial sector. Every other lender in
23 Canada, every other financial services entity lives
24 within this definition of "interest." If the credit
25 unions or banks were -- were to start offering smaller

1 short-term loans, as many have urged them to do, this is
2 the definition under which they would compete.

3 How is it fair and reasonable that only
4 one part of the financial sector should not have to live
5 under this constraint? We regulate financial
6 institutions because we have concluded that a well-
7 regulated financial sector benefits our society. We use
8 exactly the same rationale for regulation that Adam Smith
9 used for the market economy.

10 The regulations are extensive and they
11 constrain the actions and the options of businesses.
12 They mean that some loans, which both lenders and
13 borrowers would like to complete do not go, ahead.

14 We do not regulate the sector because we
15 believe lenders are greedy or malevolent. We regulate
16 because we know a stable, low-cost pool of credit is
17 essential to a robust economy. We regulate because we
18 know from bitter experience that when under-regulated,
19 financial markets cause harm.

20 To take only the most recent example, the
21 ongoing US subprime mortgage crisis clearly demonstrates
22 the effects of the under-regulation of debt markets. The
23 damage to individuals can be severe; the damage to the
24 economy as a whole can be equally grave.

25 The scale with payday lending is much

1 smaller, but the principle is the same. To carve out a
2 separate definition of interest for one class of
3 financial services is to separate them off from the
4 regulatory mainstream in the financial sector and to give
5 them an unfair competitive advantage.

6 You recall, my second question is, what
7 should the definition of these interest and these
8 regulations be? And my answer is, tie it directly to the
9 Criminal Code. This will ensure that we do not end up
10 with a patchwork system which payday lenders, in a
11 separate regime -- with payday lenders in a separate
12 regime and credit unions and banks constrained from
13 competing with them.

14 Payday advocates will argue that living
15 under the definition of "debt" in the Criminal Code will
16 destroy their industry. I am not convinced. The same
17 apocalyptic scenario was painted when the Government
18 restrained tax rebaters. Companies would be wiped out,
19 consumers would be deprived of money they so desperately
20 needed.

21 And yet here we are, twenty (20) years
22 later, with tax rebates still available, with companies
23 still in business.

24 The market economy may well be the most
25 creative thing ever invented by human beings. The free

1 market has an astonishing ability to generate profits
2 while, as Mr. Friedman says, "conforming to the basic
3 rules of the society, both those embodied in law and
4 those embodied in ethical custom."

5 Payday advocates have argued if they do
6 not survive, those who use their services will be in
7 desperate straits, that payday lending is an essential
8 service.

9 Payday lenders should not portray
10 themselves as providing a social service. As Adam Smith
11 said, "I have never known much good done by those who
12 affect the trade for the public good; it is an
13 affectation, indeed."

14 In fact, there are already models of
15 potential solutions in place. You have heard from Aski
16 Financial, which provides a service very similar to that
17 of payday lenders while adhering to the Criminal Code.

18 You are also aware of the Buckland and
19 Martin study, which documents alternatives currently
20 active in Florida, Arizona, New York, Quebec, Ontario,
21 British Columbia, and here in Winnipeg, in West Broadway,
22 and Winnipeg's North End.

23 Access to short-term credit at fair and
24 reasonable rates is important. However, payday lenders
25 are not part of the solution, they are part of the

1 problem. Thank you.

2 THE CHAIRPERSON: Thank you. Professor
3 Duggan. Just a couple of questions if you do not mind.
4 First of all, are you opposed in principle to the concept
5 of interests?

6 PROFESSOR BRUCE DUGGAN: No, not at all.
7 Absolutely not.

8 THE CHAIRPERSON: What about an
9 individual's right to choose? If the Board sets a
10 maximum fee or charge that is too low for some or,
11 perhaps, even most of the payday lenders, some of those
12 lenders that now take on higher risks than others would
13 not be there.

14 Would the Board's actions not have
15 deprived some individuals of the right to choose?

16 PROFESSOR BRUCE DUGGAN: We don't live in
17 an economy of unfettered freedom. We live in an economy
18 in which we make a judgment on whether or not certain
19 transactions should go ahead. And as we've -- and we've
20 said that transactions which are too risky, which would
21 require more than 60 percent interest, are unwise.

22 That -- that's a public consensus. That
23 standard has been in place since at least 1981, and I've
24 seen no compelling reason to change it.

25 THE CHAIRPERSON: Professor Duggan, it

1 has been suggested that if the payday lenders are not in
2 business, the borrowers will be obliged to secure money
3 from much higher cost sources in the unregulated market,
4 pawn shops or some other sources.

5 Do you have any concerns with that
6 respect?

7 PROFESSOR BRUCE DUGGAN: The payday
8 lenders argument on this question has a fatal flaw in it.
9 On the one hand, they argue that their customers choose
10 them freely -- that they have bank accounts, that they
11 have access to alternative sources of legitimate credit.

12 And yet they choose them for convenience.
13 If that is true it cannot also be true that they have no
14 options. I think that yes, there is a danger, there's a
15 danger now of illegal lending.

16 But the answer to that is not to allow
17 lending at exorbitant rates of interest but to ensure
18 that there are alternatives available. And as I pointed
19 out and as you've heard, there are alternatives
20 available.

21 THE CHAIRPERSON: Professor Duggan, some
22 have suggested that the banks' withdrawal from certain
23 areas in Winnipeg, specifically, and their apparent
24 disinterest in making small loans have led to, basically,
25 the development of the payday lender industry.

1 say. They should be considered under the same
2 constraints and operate under the same rules.

3 THE CHAIRPERSON: Thank you for taking
4 the time to make the presentation to us. Thank you very
5 much.

6 PROFESSOR BRUCE DUGGAN: Thank you very
7 much.

8 THE CHAIRPERSON: Ms. Southall, over to
9 you to resume your cross-examination of the panel.

10

11 RENTCASH PANEL:

12 NANCY BLAND, Resumed

13 GORDON REYKDAL, Resumed

14

15 CONTINUED CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

16 MS. ANITA SOUTHALL: Thank you very much,
17 Mr. Chairman. And I want to pick up with respect to a
18 brief discussion on the issue of retention payments for
19 the panel members.

20 On my review of the Rentcash 2007 Annual
21 Report, there was an indication, I believe, of -- it's at
22 Tab 59 in case you're wanting to look at it. But I -- I
23 only wanted to note a statistic that I identified.

24 It appears \$23.4 million was paid out in
25 retention payments for 2007. Is that correct?

1 MR. GORDON REYKDAL: Yes. Yes, that's
2 correct.

3 MS. ANITA SOUTHALL: And the 2007 annual
4 report for Rentcash also -- also reports that that amount
5 represents 4.7 percent of loans brokered in the period.
6 Is that correct?

7 MR. GORDON REYKDAL: Yes, that's correct.

8 MS. ANITA SOUTHALL: What is the
9 relevance of that particular percentage? Why would that
10 be reported? Can -- can someone describe that or
11 elaborate on that?

12 MS. NANCY BLAND: As far as when we look
13 at our competitors in the US, as well as in Canada,
14 percentage of loans brokered is a comparable key
15 performance indicator that is -- is used across the
16 industry.

17 MS. ANITA SOUTHALL: With respect to the
18 concept of retention payments in particular?

19 MS. NANCY BLAND: Retention payments are
20 part of bad debt, and so there's -- it's a piece of the
21 puzzle.

22 MS. ANITA SOUTHALL: So is it Rentcash's
23 position that 4.7 percent is some default indicator as a
24 comparator in the industry?

25 I'm trying to understand -- I know what

1 you're describing and what we've heard previously about
2 retention payments. I -- I confess I don't completely
3 follow how the 4.7 percent actually relates to default
4 rates.

5 Is -- is -- if there's a direct
6 correlation, could you just confirm that?

7

8 (BRIEF PAUSE)

9

10 MS. NANCY BLAND: The way -- there's not
11 a direct correlation, per se.

12 It -- retention payments are voluntary
13 payments to our lenders. We require -- or we don't
14 require. We pay them in order to maintain our lender
15 base so that our customers have choices.

16 The reason we have to pay them is because
17 the default rates on these loans are extensive enough
18 that they would not earn a return on their money, and so
19 it is related to the default rate of the loans in that
20 sense.

21 MS. ANITA SOUTHWALL: But you've confirmed
22 that the 4.7 percent is not an indicator of -- of the
23 actual default rate for the period?

24 MS. NANCY BLAND: No, it's actually
25 higher than that, because there's a portion taken on by

1 the -- the lenders themselves.

2 MS. ANITA SOUTHALL: Thank you.

3 How many years have retention payments be
4 -- been made by Rentcash?

5 Like, is it since inception?

6 MR. GORDON REYKDAL: Since 2005.

7 MS. ANITA SOUTHALL: And was there a
8 different structure introduced in 2005 that relates to
9 that retention payment program?

10 MR. GORDON REYKDAL: There was. I mean -
11 - I mean prior to retention payments being made, there
12 was -- there was a change that took place in the business
13 where we actually -- the company had made a voluntary
14 position on not allowing customers to rollover loans, and
15 that's when the rolling over the loans ceased.

16 Then the lenders' losses increased to a
17 level that no longer kept -- kept them viable, and that's
18 when the retention payments came in, as to basically
19 ensure that we retained the -- the lenders to provide
20 funds for our customers, ongoing.

21 MS. ANITA SOUTHALL: Are the retention
22 payments made to the lenders quarterly?

23 MR. GORDON REYKDAL: They're made on a
24 monthly basis.

25 MS. ANITA SOUTHALL: Have there been any

1 periods since 2005 when retention payments were due but
2 weren't voluntarily made?

3 MR. GORDON REYKDAL: No. We've
4 voluntarily made the payments on a monthly basis and have
5 continued so right from -- right from the beginning.

6 MS. ANITA SOUTHALL: Now, I'm going to
7 ask you to look at Tab 66 in the materials, which is the
8 Rentcash rebuttal evidence, please. And, specifically,
9 if you could turn to the table on page 5.

10 For the panellists, if debit card fees --
11 the acquisition fees shown in the table is eight dollars
12 (\$8), and loading fees are included in the cost of credit
13 -- in other words, they're included in the value given by
14 the customer but not listed in the value received.

15 Does that include -- or pardon me, does
16 that increase the cost of credit in the required
17 calculation? What -- will that lead to a higher cost of
18 credit?

19 MS. NANCY BLAND: Can you just repeat
20 that one more time? Sorry.

21 MS. ANITA SOUTHALL: Yes. If the cost to
22 acquire a debit card, and the loading fees for the debit
23 card are included in value given by the customer but not
24 in value received.

25 Does that increase the cost of credit for

1 the borrower or the customer?

2 MR. ANTOINE HACAULT: If I might, this
3 was part of the undertaking and there has been a table
4 that's been prepared, but Ms. Bland hasn't had a chance
5 to review it. I think it will answer your question
6 directly with a specific example with all the numbers,
7 the APRs also.

8 So, might I suggest that if you can just
9 put that question and the line of questioning that might
10 be related around it until right after the break, she'll
11 have had a chance to look at the example that's been
12 prepared, and you'll have something concrete in front of
13 you and for the panel and other people at the Hearing.

14 MS. ANITA SOUTHALL: Thank you, Mr.
15 Hacault. I will take you up on that.

16
17 (BRIEF PAUSE)

18
19 MS. ANITA SOUTHALL: If I could ask you
20 to look to the footnote at the bottom of page 5, please,
21 at Tab 66? That is a footnote referring back to -- in
22 the table on page 5 -- to the four dollars and fifty
23 cents (\$4.50) item identified as third-party charges to
24 load the amount on the cash card at the Rentcash store.

25 Is that correct?

1 MS. NANCY BLAND: Yes, that's correct.

2 MS. ANITA SOUTHALL: And in the Footnote
3 7 there's a reference as follows:

4 "Comprises two dollars (\$2) for Direct
5 Cash electronic funds transfer fee plus
6 two dollars fifty cents (\$2.50) for
7 Direct Cash card loading fee."

8 Do you see that?

9 MS. NANCY BLAND: Yes.

10 MS. ANITA SOUTHALL: Now, this is
11 distinct from the two dollars and fifty cents (\$2.50)
12 which is a standard charge -- my -- my terminology is
13 "standard charge" -- for everyone who purchases a debit
14 card. Is that correct?

15 MS. NANCY BLAND: Yes, that's correct.

16 MS. ANITA SOUTHALL: And is there some
17 portion of this -- I suppose I'm directing you back to
18 the comment under Footnote 7. If you could explain if
19 there's some portion of this amount that's required to be
20 charged pursuant to the Direct Cash agreement for the
21 loading fee?

22 I think you were talking about the four
23 fifty (4.50) being some sort of variable amount based on
24 what the customer wanted, and I'm trying to understand
25 the reference to the footnote as to whether or not if

1 someone acquires a Direct Cash debit card, some portion
2 of this is not optional?

3

4 (BRIEF PAUSE)

5

6 MS. ANITA SOUTHALL: Sorry. There might
7 be an easier way for me to phrase the question, I'm not
8 sure, but -- so, fundamentally, when a customer takes out
9 a loan and loads it on the card, are they charged four
10 dollars and fifty cents (\$4.50)?

11 Is -- is that what the footnote's
12 explaining?

13 MS. NANCY BLAND: Yeah, the -- the four
14 fifty (4.50) is not optional. The two fifty (2.50) from
15 line -- where it says "Note 1" is the optional portion.
16 And I think this is another piece of our table which we
17 are correcting and giving you from -- from this one. It
18 will fix that as well.

19

20 (BRIEF PAUSE)

21

22 MS. ANITA SOUTHALL: So, just a last
23 question on -- on this four dollars and fifty cents
24 (\$4.50) that's footnoted on page 5 of the rebuttal
25 evidence. Four dollars and fifty cents (\$4.50) goes to

1 Direct Cash. Is that correct?

2 MS. NANCY BLAND: That is correct.

3 MS. ANITA SOUTHALL: And Rentcash shares
4 in a portion of that, pursuant to an agreement with
5 Direct Cash?

6 MS. NANCY BLAND: We do get a commission
7 on all transactions through Direct Cash.

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: Does the commission
12 vary depending on the nature of the transaction carried
13 out by Direct Cash?

14 Like, does -- is there a larger portion of
15 that loading fee that comes back to Rentcash versus a
16 smaller percentage on -- on subsequent third-party
17 transactions?

18 MS. NANCY BLAND: Yep, there is, whether
19 it's a Direct Cash based transaction versus a third-party
20 ATM or POS machine. There's a difference in the
21 commission, yes.

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: And is it a larger

1 commission with Direct Cash than it is for other third-
2 party ATM transactions or other transactions?

3 MS. NANCY BLAND: Yes, it is.

4 MS. ANITA SOUTHALL: Can you give us any
5 indication of the magnitude of difference?

6 MS. NANCY BLAND: I don't think we can.
7 I think that would contravene our Direct Cash agreement.

8 MS. ANITA SOUTHALL: Thank you. Could
9 you turn to page 7? I might have directed you there
10 already, I'm not sure, but there was a reference -- there
11 are references at the bottom of page 7, a number of
12 bullets identifying other value received concepts.

13 I -- may be is the broadest way to put it,
14 and this is -- this is part of Rentcash's analysis
15 submitted to the Board, as I understand it, indicating
16 that the Board must concern itself with the cost of
17 credit calculation.

18 In particular, the last bullet on the page
19 is the one that I would ask you to elaborate on. And it
20 begins on line 40, as follows:

21 "Other optional fees including other
22 financial products purchased at the
23 store by payday borrowers not included
24 in the cost of credit."

25 And there is a description there about the

1 nature of other services that would be, I believe,
2 offered by Rentcash, but are indicated as -- as not
3 properly forming part of the cost of credit calculation.

4 Could you just -- if you take a moment to
5 review that, and just, please, for the record, describe
6 what's being identified there?

7

8 (BRIEF PAUSE)

9

10 MR. GORDON REYKDAL: It relates to other
11 services being offered, which could include -- well, such
12 as prepaid credit cards, telephone reconnect services or
13 other services coordinated or federally regulated by
14 banks.

15 And also I guess one thing -- one specific
16 one we could mention, there's also Western Union
17 services, which is another service offered in the
18 financial service offered in the operation.

19 So, it would be a varying, I guess, host
20 of different products non-related to -- directly related
21 also to payday advance.

22 MS. ANITA SOUTHALL: Thank you. At page
23 15, and I'm not going to direct you to anything in
24 particular here for this question, but at page 15 of the
25 rebuttal evidence -- again this is Tab 66 of the

1 supporting materials we've provided.

2 There is Rentcash's response to the
3 concept of a tiered rating system or a sliding percentage
4 model. And I believe that you may be aware that Mr.
5 Sardo for CashX appeared and, in his oral testimony to
6 the Board, referenced a proposal whereby some -- as
7 opposed to a sliding scale based on the value of a loan,
8 some lower amount based on the actual income level of the
9 borrower would be charged.

10 In other words a sliding scale, but based
11 upon income of the customer or the borrower where they
12 would -- below a certain income threshold would be
13 charged a lower amount.

14 Has Rentcash considered that submission by
15 Mr. Sardo? Do you have a position on it? I think your
16 proposal -- your ultimate rate proposal -- came
17 subsequent to that point, so if that's your position,
18 that's fine. I just wanted that response for the record.

19 MR. GORDON REYKDAL: I mean, our
20 position, as stated in the proposal, is what we feel
21 comfortable with.

22 MS. ANITA SOUTHALL: Have you -- have you
23 had - although you don't, you know, adopt it and you've
24 advanced your own proposal, do you have a view on the --
25 the merits, or otherwise, of that submission on that

1 concept?

2 MS. NANCY BLAND: I guess the only
3 comment I would have on that, and we haven't considered
4 it extensively, is the onus to actually prove what income
5 levels they might be.

6 If they had two (2) or three (3) different
7 jobs and came in with a pay stub that showed a lower
8 total income, they'd get a lower rate. And so the
9 motivation for the customers would be to show their
10 lowest income possible for the rate, yet contradict them
11 to -- if they needed a higher loan, they couldn't get it
12 based on that.

13 So it would be an interesting proposal for
14 sure, just a little hard to monitor.

15 MS. ANITA SOUTHALL: And if I could take
16 you back to your actual rebuttal evidence, and this would
17 be on page 16. The next page, please, under the heading,
18 "5.1.3 Consequences of Tiered Rate or Sliding Percentage
19 Model."

20 And again, this is the tiered model
21 presented by -- in some of the submissions already filed
22 with the Board, and this is based on loan value tiering.

23 There is the concern offered by Rentcash
24 that the results may not be positive in this respect, and
25 particular, if you could look at the bullet in about the

1 middle of the page at line 20. The first bullet is:

2 "Larger loan amounts may not be
3 available from certain outlets."

4 Do you see that?

5 MR. GORDON REYKDAL: Yes, I do.

6 MS. ANITA SOUTHALL: Could you please
7 elaborate on what's meant by that statement?

8 MR. GORDON REYKDAL: I think that -- and
9 if I understand the proposal or the -- from CashX on what
10 they put forward, that -- also that the larger loans with
11 a better credit history or better repayment history would
12 be provided to customers at a lower rate.

13 And that certainly would limit the
14 customers being able to competitively shop around and
15 look for other outlets, not having a history with -- with
16 the specific lender, so...

17

18 (BRIEF PAUSE)

19

20 MS. ANITA SOUTHALL: I'm sorry, Mr.
21 Reykdal, I don't -- I don't follow that point in terms of
22 the way this is stated. When I read this, I thought it
23 meant that Rentcash may not offer certain types of loans
24 at certain outlets. That's not what's intended by this
25 statement?

1 MR. GORDON REYKDAL: No, that would be
2 various payday lenders, not Rentcash specific, no.

3

4 (BRIEF PAUSE)

5

6 MS. ANITA SOUTHALL: And with respect to
7 the consequences of -- the potential consequences of a
8 tiered rate, further down on that page beginning at line
9 31, there's reference to consumers in some circumstances
10 have to take out payday loans from more than one (1)
11 outlet in order to obtain the advance required to meet
12 their household needs. The statement goes on to say:

13 "This would restrict the availability
14 and convenience of this service to
15 already under-served members of the
16 public."

17 Do you see that?

18 MR. GORDON REYKDAL: Yes, I do.

19 MS. ANITA SOUTHALL: Could you describe
20 what you mean by "under-served members of the public"?
21

21

22 (BRIEF PAUSE)

23

24 MR. GORDON REYKDAL: I guess it would
25 somewhat speak to the prior comment about customers not

1 necessarily having the ability to -- to go to other
2 outlets and they may be restricted. So the under-served
3 members of the public, with people not being able to
4 obtain what they either qualify or for what they require.

5 MS. ANITA SOUTHALL: Could you turn to
6 Tab 67, please?

7 You've answered certain questions in
8 advance of the oral Hearing with respect to the credit
9 counselling information available through Rentcash to its
10 payday loan customers.

11 Do you recall that?

12 MR. GORDON REYKDAL: Yes, I do.

13 MS. ANITA SOUTHALL: And, so, I've
14 included, at Tab 67, information that's been provided in
15 the pre-oral Hearing process.

16 My understanding from reviewing the
17 information, and in particular, if you look at the first
18 document in Tab 67, it's Response to PUB/RC1-B34,
19 subanswer (c):

20 "Rentcash associates have been trained
21 to direct customers to credit
22 counselling services when asked."

23 Do you see that?

24 MR. GORDON REYKDAL: Yes, I do.

25 MS. ANITA SOUTHALL: So the program for

1 credit counselling assistance with Rentcash arises when
2 somebody makes a direct inquiry as to -- as a request to
3 referral to counselling, or what coun -- what credit
4 counselling may be available?

5 MR. GORDON REYKDAL: I think the -- what
6 -- what would take place is that if a customer, not
7 absurd -- not -- not, certainly, when they're obtaining
8 their loan, but actually on the repayment of it, having
9 difficulties in doing so and have expressed definitely
10 concern through our relationship with our -- our -- our
11 associates at store level. And then, from there, the
12 credit counselling would be most certainly referred to.

13 And we have brochures in our stores that
14 provide that information of the various different
15 affiliations that are -- are in place.

16 MS. ANITA SOUTHALL: Is there anything
17 else that triggers a referral to credit counselling in
18 the Rentcash system?

19 MR. GORDON REYKDAL: I mean, other than -
20 - I guess -- well the brochures being available, and, I
21 guess, just the relationship that our customers have with
22 our associates.

23 I mean they're -- they're certainly
24 referred to the credit counselling when in need, so --
25 and they go over and above that at this stage. And that

1 is not in place now -- in the organization now.

2 MS. ANITA SOUTHALL: So, a series of
3 back-to-back loans over a period of time, for example,
4 there's no kind of threshold of that kind, when someone
5 would be referred to credit counselling?

6 MR. GORDON REYKDAL: I -- I think it
7 would go -- refer back to my comment earlier about when a
8 customer is in difficulty repaying their loan, and some
9 of those could, or -- may or may not be indicators of
10 that occurring.

11 But the end result is if the customer
12 can't repay the loan and they're having difficulty in
13 doing so, even with a -- a scheduled payment plan that
14 can be worked out with the store and the store manager
15 themselves, if a customer is still having difficulty,
16 most certainly, they're -- they're advised to seek
17 professional help.

18 I mean our -- our store personnel are not
19 trained to provide credit counselling, but, certainly,
20 you know, provide the right direction to go to the people
21 that are the professionals.

22 MS. ANITA SOUTHALL: Thank you. And in
23 answer to Questions A and B on the same document we were
24 looking at in the answer to an Information Request by the
25 Board, there is reference to -- in the centre of the

1 page, a statement:

2 "Since its inception, Rentcash's retail
3 outlets have maintained relationships
4 with nonprofit credit counselling
5 agencies across Canada."

6 Do you see that?

7 MR. GORDON REYKDAL: Yes, I do.

8 MS. ANITA SOUTHALL: And what is the
9 nature of the relationships that are maintained with the
10 credit counselling agencies?

11 MR. ANTOINE HACAULT: Just for the
12 assistance of Board counsel, we have, at Tab 67, the sec
13 -- or 66, the second last page, the witnesses had
14 referred to pamphlets.

15 And part of the pamphlet -- there is a
16 pamphlet indicated, What Our Commitment to Customer Care
17 Means to You, and at the very bottom, you'll see -- "If
18 You Need a Credit Counsellor" is the heading.

19 And then on the other side, you'll see
20 that there's information with respect to the credit
21 counselling numbers directly to the client by way of
22 pamphlet.

23 MS. ANITA SOUTHALL: Thank you.

24 I was actually wondering whether or not
25 there was something more to the phraseology "maintaining

1 relationships," so that's what prompted my question on my
2 review of the documents.

3 MR. GORDON REYKDAL: It's just -- our
4 relationship would be that we, you know, they -- we know
5 that they are credit counsellors in the -- in the
6 province and that their services are readily available to
7 -- to our customers. And we most certainly refer them to
8 each of the various different agencies, and we've got
9 them outlined in our brochures.

10 MS. ANITA SOUTHALL: Turning back, if
11 you're not already there, to Tab 67. Part of the answer
12 to sub-questions (a) and (b) is a reference to Rentcash
13 making donations to credit counselling agencies.

14 And the statement at line 22 is:

15 "Which consists of a percentage of
16 monies collected as a result of the
17 agency's efforts."

18 Do you see that?

19 MR. GORDON REYKDAL: Yes, I do.

20 MS. ANITA SOUTHALL: Could you just
21 explain what's meant by that statement? Like, what
22 percentage you're referring to there, specifically?

23 MR. GORDON REYKDAL: There is a certain
24 percentage that is retained by the collection agencies
25 and then another portion of that goes to -- back to repay

1 the indebtedness.

2 But a certain portion is retained for the
3 certain various different agencies and not all -- not all
4 are all the same. But there's certain percentage of the
5 income if the customer is able to provide for that goes
6 towards the indebtedness and a portion goes to credit
7 counselling also too.

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: Are you able to tell
12 us what total dollars have been contributed to the credit
13 counselling agencies in 2007? I don't know if you have
14 for Manitoba or nationally.

15 MR. GORDON REYKDAL: I don't have that
16 number at hand, but I can certainly see that we can get
17 that number for you. I mean what the percentage is. I
18 mean I --

19 MS. ANITA SOUTHALL: If you could let us
20 know the amount if possible, and -- but -- and -- and, if
21 it's not too much trouble, if you could -- if you could
22 limit it to or make it specific for Manitoba?

23 MR. GORDON REYKDAL: Yeah. I'm not --
24 okay, and I'm not sure. I'll check with the accounting.
25 I'm not sure whether we -- whether we collect that data

1 agency. They're on their radar, right?

2 MR. GORDON REYKDAL: That's correct.

3 MS. SUSAN PROVEN: So you're not making
4 any contributions on a -- there's no percentage of your
5 business in terms of -- the other thing that struck me is
6 that credit counselling is suggested to people, then, by
7 you, only when they hit that state? Is that what you're
8 saying?

9 MR. GORDON REYKDAL: Well -- well -- or -
10 - I mean, or if the customer is showing indications they
11 can't pay their loan, and that's -- you know, and we do
12 keep a very, very open relationship with our customers.
13 We want to work with them.

14 So, we'd certainly most -- try to work
15 with the customer before even credit counselling with
16 some payment program. But in the event they can't make
17 that, and then they've got other debts -- I mean, not
18 necessarily our debts, but other debts that are pushing
19 them to a point where they have to seek the credit, you
20 know, seek the credit counselling to ensure they get an
21 orderly payment -- structure of their payment.

22 And then the proceeds of any of the -- or
23 pardon me -- any of the payments that are made to the
24 credit counsellor are -- are payments that we absorb as a
25 company.

1 So it's -- it's coming off a net debt
2 position of the consumer, so it's our contribution back
3 on the -- back to the consumer from that -- from that
4 respective.

5 MS. SUSAN PROVEN: Thanks.

6 MR. GORDON REYKDAL: Okay.

7

8 (BRIEF PAUSE)

9

10 CONTINUED BY MS. ANITA SOUTHALL:

11 MS. ANITA SOUTHALL: So looking at your
12 Tab 66 and the information that Mr. Hacault brought to
13 our attention, the credit counselling brochure for
14 Rentcash.

15 I believe the -- looking to the bottom of
16 the page, even though the number's cutoff, it would be a
17 reference to page 12 in the last few pages of Tab 66.

18 Do you see that? I'll just give you a
19 moment.

20

21 (BRIEF PAUSE)

22

23 MR. GORDON REYKDAL: Yes, I've got that.

24 MS. ANITA SOUTHALL: So the -- the credit
25 counsellor information for Manitoba is the One Entity

1 Community Financial Counselling Services, is that
2 correct?

3 MR. GORDON REYKDAL: That's one of them,
4 the other one being Credit Counselling Society, yes.

5 MS. ANITA SOUTHALL: So there are two (2)
6 in Manitoba?

7 MR. GORDON REYKDAL: That's correct.

8 MS. ANITA SOUTHALL: And, I apologize, I
9 was unable to hear all of the answers Ms. Proven's
10 questions. But based on your -- your earlier answers,
11 I'm still trying to determine whether or not you can
12 identify, in 2007, what amount of money has been provided
13 to those two (2) credit counselling agencies in Manitoba?

14 MR. GORDON REYKDAL: Okay, I think we'll
15 -- we provide that. I mean, again we have to defer to
16 our accounting to see if that information has actually
17 been captured. We may be able to even get it from the
18 agencies themselves, I'm not sure. They may have
19 records, because it may be in various different parties
20 from our perspective and I don't think that, in Nancy --
21 speaking with Nancy, that that information has
22 necessarily been captured.

23 No one's actually requested it, so we've
24 not -- not made it an item, so...

25 MS. ANITA SOUTHALL: Well, if you could

1 undertake to make those inquiries, please, given that
2 you've brought it to our attention on the record. Thank
3 you.

4 MR. GORDON REYKDAL: Okay.

5

6 (BRIEF PAUSE)

7

8 MS. ANITA SOUTHALL: I just have one more
9 question before we take our break, if that's suitable to
10 the Board. I would like to see the answers to the
11 undertakings that Rentcash has put together before
12 reviewing the rate proposal that they've submitted.

13 Mr. Reykdal and Ms. Bland, I recall that
14 in the oral evidence of Mr. Reykdal that you indicated,
15 sir, that you had done some research into the American
16 experience. Is that correct?

17 MR. GORDON REYKDAL: Yes, that's correct.

18 MS. ANITA SOUTHALL: The Board will, I
19 anticipate, this afternoon be providing to all of the
20 Intervenors and will be putting on the record the 10K
21 results and 10 Q results, I guess most recent 10 Q
22 results of Advance America, given that they've just
23 recently entered the Manitoba market.

24 On the preliminary review of that
25 information, which is public record information, it

1 appears that the range of allowable rates in thirty-seven
2 (37) states in the United States for a Advance America is
3 in the ten (\$10) to twenty-two (\$22) dollar per hundred
4 range.

5 Do you know, have -- does your research
6 indicate this?

7 MR. GORDON REYKDAL: I've -- I don't have
8 that current information, no.

9 MS. ANITA SOUTHALL: Have you given any
10 thought on your US research, assuming that that's correct
11 -- and I think their results will show what they charge
12 in the United States -- why Rentcash is advocating
13 approximately thirty-five (\$35) or thirty-seven (\$37)
14 dollars per hundred regulated cost when that appears to
15 be the existing range in the United States?

16 MR. GORDON REYKDAL: I -- I'll comment
17 maybe just in a couple -- couple of areas, one being that
18 with respect to -- I mean we are talking about two (2)
19 different markets, putting that aside -- Canadian and US
20 market places, and there are some significant differences
21 with respect to the two (2) markets.

22 But the other relates to also the rolling
23 over of loans. That -- through, and it's specific to
24 Advance America. Part of their Code of Best Business
25 Practices outlines that, I mean, they'll do four (4)

1 rollovers, or up to four (4) rollovers, in the
2 jurisdictions that allow them.

3 So rollovers being a significant portion
4 of what we understand, from our research, being a very
5 common practice in the US, significantly distorts the
6 original rate -- or the origination rate for any
7 transaction.

8 And, you know, subsequently roll -- the --
9 the loans could be misleading from a standpoint of
10 knowing and understanding fully what that rate represents
11 when you know -- when not taking all things into -- into
12 account.

13 MS. ANITA SOUTHALL: Okay. Thank you
14 very much, sir.

15 If we could take our break then, and I
16 expect that Mr. Hacault will be able to provide us with
17 the updated information on the calculation of charges for
18 Rentcash. And then I will conclude my cross-examination
19 after the break.

20 Thank you.

21 THE CHAIRPERSON: Very good. We will be
22 back in fifteen (15) minutes, thank you.

23

24 --- Upon recessing at 10:05 a.m.

25 --- Upon resuming at 10:30 a.m.

1 MS. ANITA SOUTHALL: Mr. Chairman, I
2 believe we're ready to continue.

3 THE CHAIRPERSON: Please.

4 MS. ANITA SOUTHALL: During the break,
5 the Rentcash panel members reviewed and -- and now have
6 submitted to enter into evidence two (2) additional
7 documents.

8 The first one is a table called "Corrected
9 Table A, Total Cost of Credit under Different Business
10 Models," and this will be Rentcash-16, for the record.

11 THE CHAIRPERSON: Very good.

12

13 --- EXHIBIT RC-16: Corrected Table A, Total Cost
14 of Credit under Different
15 Business Models.

16

17 MS. ANITA SOUTHALL: The second document
18 is identified as "Rentcash Undertaking 67, Revised Table
19 A, Varying Calculations of APR Based on Inclusion of Card
20 Costs," and that would be RC-16, for the record.

21 THE CHAIRPERSON: 17.

22 MS. ANITA SOUTHALL: Pardon me, 17.

23 THE CHAIRPERSON: Very good.

24

25 --- EXHIBIT RC-17: Rentcash Undertaking 67,

1 Revised Table A, Varying
2 Calculations of APR Based on
3 Inclusion of Card Costs.
4

5 CONTINUED BY MS. ANITA SOUTHALL:

6 MS. ANITA SOUTHALL: Thank you.

7 I believe that the panel members are in a
8 posit -- position to explain these additional documents,
9 and we'll let them proceed with that.

10 MS. NANCY BLAND: So, if we start with the
11 "Corrected Table A, Total Cost of Credit Under Different
12 Business Models," you will note that line 2 has now moved
13 to a hundred and four fifty (104.50). And so, that was
14 done in attempt to clarify the transaction process that
15 occurs at -- in our stores.

16 The two fifty (2.50), which is a load fee,
17 which we've included in line 4, the third-party in-store
18 card load fees, is taken off the card immediately once
19 the loan is complete.

20 The four fifty (4.50) are examples of
21 transaction fees, including the two dollar (\$2) Direct
22 Cash fee, that would occur post leaving the stores and
23 withdrawing the money.

24 And so that's why it has been corrected in
25 that table. We will undergo to go through our evidence

1 and correct it in other various places that have been
2 shown a different -- like Table A of the rebuttal as well
3 as the submission.

4 If we go to Rentcash Undertaking 67,
5 "Revised Table A, Varying Calculation of APR Based on
6 Inclusion of Card Costs." As you'll see in lines 15 and
7 16, what we have undertaken to do is show the increase in
8 APR if, first, you include just the purchase of the card.

9 And then, secondly, line 16, if you
10 include the purchase of the card as well as the third-
11 party in-store card load fee that's taken off immediately
12 post transaction, we will undertake to revise this table
13 to show that increased in cost of credit that you see at
14 line 11. And we will supply that later today hopefully.

15

16 (BRIEF PAUSE)

17

18 MS. ANITA SOUTHALL: Could you turn to
19 page 5 of the rebuttal evidence? I believe it's Tab 66.
20 Just -- just back to that point of your testimony earlier
21 today on this four dollars and fifty cent (\$4.50) charge.

22 I understand your offer to make
23 corrections to the evidence subsequent to today, but I
24 want to turn back for a moment to the direct evidence
25 this morning.

1 In terms of the four dollars and fifty
2 cent (\$4.50) fee, if you could just focus on that for a
3 moment.

4 MR. GORDON REYKDAL: Okay.

5 MS. ANITA SOUTHALL: Is there an
6 immediate two dollar (\$2) charge for loading that's
7 required to be charged pursuant -- pardon me, two fifty
8 (2.50) -- sorry. Let me start again.

9 Is there a required two dollars and fifty
10 cent (\$2.50) Direct Cash card loading fee as indicated in
11 Footnote 7?

12 MR. GORDON REYKDAL: Yes. The two fifty
13 (2.50) charge is correct. That's required.

14 MS. ANITA SOUTHALL: So, if someone wants
15 to use a debit card, they must pay the Rentcash eight
16 dollar (\$8) fee, they must pay a standardized Rentcash
17 loading fee of two dollars and fifty cents (\$2.50,) and
18 they must pay a Direct Cash two dollars and fifty cents
19 (\$2.50) card loading fee.

20 Is that right?

21 MR. GORDON REYKDAL: Okay the -- the card
22 loading -- okay, I'll go back by each point. The two
23 fifty (2.50) loading fee is a requirement, most
24 certainly. The cash card, the purchase of the cash card
25 is. The other fees are -- are variable fees.

1 What Direct Cash and, again, for
2 illustration purposes -- I mean this is -- it comprises
3 of a two dollar (\$2) Direct Cash fee. That may vary and
4 depending upon their arrangement with the -- the various
5 institutions.

6 And -- and I thought maybe -- well, they
7 might just -- to provide a better understanding on that.
8 It's not dissimilar to any other financial institution.

9 And, for example, like I -- I took -- I
10 had my MBNA card and I took out a cash advance from
11 Royal Bank of two hundred dollars (\$200). Well, Royal
12 Bank charged me a dollar fifty (\$1.50) for that
13 transaction, and then the ATM provider charged me a fee
14 of seven dollars and fifty cents (\$7.50).

15 These fees in structure are similar to
16 what would be charged by any other finance institution.
17 So, Direct Cash would have a share in what their costs --
18 in their -- in their charge.

19 Now we have put in this table here of a
20 two dollar (\$2) -- we don't know if that number's for
21 certain or not. That's an estimate -- estimated number
22 of what they would receive.

23 We don't know; that could change depending
24 on who they deal with, not dissimilar to any bank or any
25 other institution the funds would be withdrawn from.

1 MS. ANITA SOUTHALL: And what would be
2 that -- at Footnote 7, what would be the Direct Cash
3 electronic funds transfer fee that's referenced as a two
4 dollar (\$2) amount in this example?

5 MR. GORDON REYKDAL: Okay, and this table
6 here, I think, is inconsistent with what takes place.
7 The actual -- the -- the fee for Direct Cash, and what
8 the reference there was intended to be, was what their
9 portion of the fees would be for any ATM withdrawal or
10 any charge to that customer.

11 And, again, that's a -- a number that
12 we're not certain on. But, I mean, it's a number that
13 was a -- a number that was estimated at the time.
14 Because they would share in any of the costs for any of
15 the transactions from the consumer side of it, that would
16 be an income for -- for Direct Cash.

17 MR. ANTOINE HACAULT: Ms. Southall, I'll
18 take some responsibility for this, because I didn't
19 appreciate that there was a -- a concern or a
20 significance between the difference of what's charged in-
21 store and then what's charged outside the store in the
22 examples that were provided in this evidence. And the
23 tables didn't segregate the charges between that.

24 The witness has tried to explain now that
25 in the store, when you actually want the money put on the

1 card, there's a two fifty (\$2.50) dollar fee. Now, once
2 you step out of the store -- and this is why I've redone
3 Table A in my submission -- there are estimates of what
4 that customer is going to be charged by other
5 institutions.

6 So, for example, when I take my Toronto
7 Dominion bank card and I go to a Royal Bank machine,
8 Toronto Dominion charges me an amount. And that would be
9 the Direct Cash equivalent. And, in addition, I get
10 charged the Royal Bank fee. And that's the other amount
11 that they have to estimate.

12 So when the customer gets out of the
13 store, there's this four fifty (4.50) that's been
14 estimated. But it could vary, it -- Mr. Reykdal
15 explained that when he took a cash advance on his card,
16 he had two (2) charges. And that depends where the
17 customer's going to go, which machine he's going to use,
18 which point of sale he's going to use.

19 We've used a number, but -- in the
20 submission, but it has to be an estimated number. It's
21 treated as -- as a fixed number. And I think that's
22 what's causing confusion here.

23 It would have to have a star in each case
24 and say, Well listen, this is an estimated number and
25 this is what the customer wants or thinks it's going to

1 cost, but it's not a certain number.

2 So, I apologize if I've created some
3 confusion in -- in the documents by not realizing the
4 importance, from the Board's perspective, of segregating
5 and identifying the amount that we know for sure in the
6 store. And we know for sure in the store to put the
7 money on the card is two fifty (2.50). That's a certain
8 number.

9 Once the customer gets out -- I've put a
10 four fifty (4.50) number there, but that doesn't have to
11 be four fifty (4.50). It could be anything. It depends
12 where the customer goes as far as point of sale. It
13 depends how much Direct Cash charges the customer. The
14 customer does sign a Direct Cash agreement. It's part of
15 the evidence.

16

17 CONTINUED BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: We're actually going
19 to turn to that Direct Cash agreement then, which I
20 believe is Tab 55 in the materials.

21 I want to be clear. I'm not certain the
22 record is who actually created the information that's
23 contained in the rebuttal evidence. I'm assuming
24 Rentcash has approved the materials that have been
25 submitted by it me, even if counsel has participated in

1 their preparation.

2 MR. GORDON REYKDAL: That is correct.
3 But there are definitely -- as I mentioned earlier, there
4 are some noted inconsistencies with respect to how the
5 presentation -- and we've certainly worked with our
6 counsel to also review, I mean, what we believe would be
7 clear or we hope to be clear interpretation of what --
8 really what we were providing. And -- but, we do
9 definitely note there are some inconsistencies there, so.

10 MS. ANITA SOUTHALL: At Tab 55 it will
11 be, and I'm -- the pages aren't numbered comprehensively
12 within the tab, but this is the Rentcash first filing.
13 And towards the end of the document is about as close as
14 I can direct you. I think it might be part of Attachment
15 D.

16 These are the supporting documents in a --
17 a Cash Store loan situation as I understand it, and there
18 is a Direct Cash cash card agreement.

19

20 (BRIEF PAUSE)

21

22 MS. ANITA SOUTHALL: The reason we've
23 taken you to this document is that we can't identify on
24 the cash card agreement on page 2 of 3, under "Fees and
25 Program Details," any amount that's identified as a two

1 dollar (\$2) transaction fee.

2 Would you agree?

3 MR. GORDON REYKDAL: No, and I -- by
4 looking at the document, and again, this is card -- or
5 Direct Cash's -- their card -- the card capital
6 agreement, but they've got a -- an ATM cash advance
7 amount of two fifty (2.50).

8 They have a debit card transfer of funds
9 of one seventy-five (1.75).

10 They've got request transaction declines
11 and card loading of two fifty (2.50), balance inquires of
12 one seventy-five (1.75), and statement -- statement fee
13 of two twenty-five (2.25).

14 I -- I -- from -- I would confirm, or
15 would -- I guess from Direct Cash's perspective, but the
16 ATM cash advance would be -- I'm assuming it would be
17 their transaction-related cost for services.

18 MS. ANITA SOUTHALL: And what is the card
19 loading fee of two dollars and fifty cents (\$2.50) on the
20 cash card agreement relate to?

21 MR. GORDON REYKDAL: The -- what we've
22 been referring to earlier is the -- the two fifty (2.50)
23 load fee for the transaction for the purpose of the use
24 of the cash card.

25 MS. ANITA SOUTHALL: So, if you wouldn't

1 mind comparing the fees and program details on the Direct
2 Cash cash card agreement, with the footnote in the
3 Rentcash rebuttal evidence on page 5.

4 There is a reference to:

5 "... comprises two dollars (\$2) for
6 Direct Cash electronic funds transfer
7 fee."

8 Is that represented in some fashion on
9 this cash card agreement?

10 MR. GORDON REYKDAL: I'm sorry. I'm not
11 seeing where you see the electronic funds.

12 MS. ANITA SOUTHALL: That would be --
13 that would be in the Rentcash rebuttal evidence, which
14 you'd find at Tab 66 in the reference materials; page 5,
15 Footnote 7.

16 MR. GORDON REYKDAL: No, I -- I see that
17 now.

18 With respect to:

19 "It is our intention when the
20 electronic fund transfers are made
21 available to customers that there will
22 be no cost to the customer with respect
23 to that."

24 So we have not completed any electronic
25 fund transfers with our customers, as of yet. So that

1 would be something that would be post -- having the
2 agreement in place with the -- with the bank. But we're
3 not -- we have not -- we have not yet made that product
4 or service available to our customers through either
5 Direct Cash or -- nor the banks.

6 MS. ANITA SOUTHALL: Mr. Reykdal, the
7 footnote refers to a two dollar (\$2) amount for Direct
8 Cash electronic funds transfer fee and specifically
9 refers us to the cash card agreement included in customer
10 agreements at Attachment D of the September 17, 2007
11 Rentcash submission. Correct?

12 MR. GORDON REYKDAL: That's correct.

13 MS. ANITA SOUTHALL: Your explanation,
14 just now, I don't think answered the specific question
15 of, is there someplace in the Direct Cash cash card
16 agreement that refers to this Direct Cash electronic
17 funds transfer fee?

18 MR. ANTOINE HACAULT: Ms. Southall,
19 that's the interpretation of the agreement, and I might
20 point you to a sentence under the table which could
21 provide that answer.

22 It's not a Rentcash document, so perhaps
23 Mr. Reykdal has got some problems in -- interpreting
24 somebody else's document. But under the table, at least
25 in my copy of the Board binder, there's a highlighted

1 portion, and I'll read it for the record:

2 "Transaction fees charged to Direct
3 Cash in connection with the use of the
4 cash card..."

5 And then it continues:

6 "Other additional fees may apply [so
7 that's in addition to the table, as I
8 read the document, in any event] in
9 connection with specific -- or outlet-
10 specific charges for use of ATMs and
11 debit card terminals, in which case
12 such fees will be charged to the
13 customer and will -- will reduced [I
14 don't know what that is] against the
15 remaining advanced limited left on the
16 cash card."

17 I agree with you that there isn't a
18 specific reference to the two dollars (\$2) that's being
19 charged. But anticipating Direct Cash's interpretation
20 of the agreement, it could very well fall within this
21 additional language. Because the table might not be as
22 complete as it could be, it certainly could fall under
23 that additional language.

24

25 CONTINUED BY MS. ANITA SOUTHALL:

1 MS. ANITA SOUTHALL: Mr. Reykdal, your
2 customer service representatives at the Cash Store are
3 required to explain this cash card agreement to people
4 who take up the debit option I take it?

5 MR. GORDON REYKDAL: Yes, they are.

6 MS. ANITA SOUTHALL: Do you accept what
7 your counsel has just stated about the fact that the
8 footnote that you've provided in your rebuttal evidence
9 for Direct Cash electronic funds transfer fee somehow
10 relates to third-party transactions through other ATMs?

11 MR. GORDON REYKDAL: Yes, I do.

12 MS. ANITA SOUTHALL: If that -- if that
13 changes on your review of your evidence, you'll let us
14 know --in conjunction with the other -- what you may
15 identify as inconsistencies in the evidence?

16 MR. GORDON REYKDAL: Yes, we will.

17 MR. ANTOINE HACAULT: This isn't
18 evidence. It's an interpretation of an agreement. While
19 I've tried to assist counsel, this is really a question
20 that should be answered by Direct Cash.

21 I don't know how they interpret their
22 agreement and where they say they have the specific
23 authority to charge this. They -- you've had the
24 evidence that this is explained, but there's no evidence
25 from Direct Cash as to -- it's a position on the

1 agreement.

2 Direct Cash may have a different position
3 on the agreement. It's a legal position.

4 MS. ANITA SOUTHALL: Mr. Hacault, it's
5 not my intention to -- to debate that issue with you.
6 The whole point of this line of questioning is to attempt
7 to obtain accurate information with respect to the
8 charges that may be applied through Rentcash when
9 acquiring a debit card and pursue it -- pursuing debit
10 card transactions.

11 And, so, I -- I'm -- two (2) things
12 attempting to clarify, based on the referenced
13 information in the footnote: what the agreement actually
14 provides in conjunction with a payday loan advance
15 offered through Rentcash.

16 And, secondly, attempting to clarify, for
17 the record in its entirety, the various amounts that have
18 been referred to by Rentcash in all of its submissions
19 and acknowledged by the witnesses, that there are
20 obviously some inconsistencies.

21 So that was the -- that was the intent of
22 this questioning.

23

24 --- UNDERTAKING NO. 71: Mr. Gordon Reykdal to
25 clarify, based on the

1 referenced information in the
2 footnote, what the agreement
3 actually provides in
4 conjunction with a payday
5 loan advance offered through
6 Rentcash. Secondly, attempt
7 to clarify, for the record in
8 its entirety, the various
9 amounts that have been
10 referred to by Rentcash in
11 all of its submissions and
12 acknowledged by the
13 witnesses, that there are
14 obviously some
15 inconsistencies.

16
17 CONTINUED BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: When you respond to
19 any changes that might be required on the record, if you
20 can answer this today, that's fine. If you can't, please
21 respond subsequent.

22 Originally in a table that you've provided
23 to us with respect to differences in charges between
24 provinces, you indicated that there was a two dollar
25 fifty cent (\$2.50) maximum debit loading charge in Nova

1 Scotia as I recall.

2 Is that correct?

3 MR. GORDON REYKDAL: I believe so, that's
4 correct, yes, yep.

5 MS. ANITA SOUTHALL: And is the
6 comparable charge four dollars and fifty cents (\$4.50) in
7 Manitoba? That's -- that's one thing that we'd like
8 clarified.

9 MR. GORDON REYKDAL: For illustration
10 purposes, that -- that was designed for -- for
11 consistency of illustration purposes, yes.

12 MS. ANITA SOUTHALL: But are they --
13 regardless of the amount that you used in the
14 illustration, are those intended to be comparable,
15 compared or amounts?

16

17 (BRIEF PAUSE)

18

19 MS. NANCY BLAND: The answer is no. The
20 two fifty (2.50) in Nova Scotia equates to the two fifty
21 (2.50) in Manitoba. The additional two dollars (\$2) to
22 make up the four fifty (4.50) is an estimate on
23 additional transaction fees that may occur at point of
24 sale or other terminals.

25 MS. ANITA SOUTHALL: Thank you.

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: I -- I just have a
4 follow-up question on this. And -- and sorry, not to
5 belabour the point, but if I want to come in tomorrow and
6 borrow a hundred dollars (\$100), and I want to do it by
7 crebit -- credit -- pardon me, debit card, I must pay two
8 dollars and fifty cents (\$2.50) for that option, plus
9 purchasing the eight dollar (\$8) debit card. But I --
10 but other amounts that I may wish to have added to the
11 debit card would then be optional.

12 Is that a correct summary?

13 MR. GORDON REYKDAL: That's correct. It
14 would be the optional. I mean there would be, at your
15 discretion, I guess, whatever you want to load on the
16 card.

17 I think I was mentioning on -- on Friday.
18 For example, if -- if you were coming in and you wanted a
19 hundred and ten dollars (\$110), or whatever it may be,
20 the -- the monies are basically to use for the consumers
21 as -- as they seem -- see fit, or seem deemed fit.

22 So the -- the numbers -- and the dollar
23 amount loaded are -- are the customer's funds, and then
24 how they use them after that is really at their
25 discretion.

1 MS. ANITA SOUTHALL: I -- I'm going to
2 move on from that.

3 If you could look at your Rentcash Rate
4 Proposal, which has been marked on the record as RC-10.

5 Could you turn to page 4 of the proposal,
6 please?

7 And under the heading "Extension or
8 Renewal Loans" there is a statement:

9 "Rentcash's position is that, in the
10 interests of consumer protection, the
11 Board recommend to the Province of
12 Manitoba that no fees be allowed on
13 what the industry commonly refers to as
14 rollovers."

15 Do you see that?

16 MR. GORDON REYKDAL: Yes, I do.

17 MS. ANITA SOUTH ALL: And when you say
18 that

19 "the Board recommend to the Province of
20 Manitoba that no fees be allowed,"

21 are you suggesting that the Board
22 shouldn't use its existing jurisdiction through the rate-
23 setting process now to make some determination on what
24 fees ought to be allowed for extensions or renewal loans?

25 MR. ANTOINE HACAULT: I can answer that

1 question because it's my submission. It depends on how
2 the Board's going to interpret its jurisdiction.

3 If the Board says that putting a maximum
4 of zero dollars is not putting a maximum, all it can do
5 is recommend to the province that they not be allowed.

6 If it takes the position that it can set a
7 maximum of zero dollars, which represents a rate, well
8 then it can set the maximum of zero dollars.

9
10 CONTINUED BY MS. ANITA SOUTHALL:

11 MS. ANITA SOUTHALL: And further down
12 under that same heading, at page 4, there is the one (1)
13 line paragraph:

14 "With respect to these loans [these
15 being, I believe, extension or renewal
16 loans] the maximum charge should be
17 limited to interest at the rate set out
18 in Proposal A of the proposal."

19 I'm not sure what that reference is to,
20 but in brackets you've identified "59 percent."

21 Do you see that?

22 MR. GORDON REYKDAL: Yes, I do.

23 MS. ANITA SOUTHALL: And can you
24 elaborate on why this is Rentcash's submission, in terms
25 of why the maximum charge should be limited to that

1 interest rate, and -- which is Part A of the question, if
2 you don't mind.

3 And Part B of the question is, why 59
4 percent?

5

6 (BRIEF PAUSE)

7

8 MR. GORDON REYKDAL: With respect to our
9 -- the -- the position on the 59 percent per annum, I
10 think it refers back up to the -- the paragraph above
11 about no fees be allowed on what the industry commonly
12 refers to as rollovers.

13 The interest being a separate and distinct
14 charge on the rollovers. I mean, not dissimilar to when
15 a loan goes into default that the rate should remain at
16 the 59 percent per annum on the -- on the default loans.

17 So sort of answering A and B, I think,
18 collectively there, I think, anyway.

19 MS. ANITA SOUTHALL: I'm sorry. Were you
20 also explaining why the maximum charge should be limited
21 to interest, as opposed to some other fee on extension or
22 renewals?

23 MR. GORDON REYKDAL: In our -- my
24 opinion, anyway, would be not to encourage rollovers.

25 MS. ANITA SOUTHALL: And does rate --

1 Rentcash recommending 59 percent as a result of the fact
2 that its lenders who provide the capital to support the
3 lending charge Rentcash 59 percent?

4 MR. GORDON REYKDAL: They charge their
5 customers. I mean, it would be because the customers are
6 -- are advanced the monies, initially, at 59 percent per
7 annum, and if a customer does go into default, that they
8 are, indeed, still indebtedness to that lender at that 59
9 percent rate.

10 MS. ANITA SOUTHALL: Could you look at
11 the -- sorry, I'm just going to locate a specific
12 example. Yes, could you look at page 5 of the Rentcash
13 proposal, and specifically at Example D? Example D -- if
14 we could just examine it for a moment.

15 First of all, I want to ask is the
16 transaction that's shown, hypothetically at Example D, is
17 that a transaction that's currently allowed at Rentcash
18 outlets?

19 MR. GORDON REYKDAL: It's currently
20 available, but I must say it would be a fairly unique --
21 unique situation, but that would be -- still, it's
22 available to customer though.

23 MS. ANITA SOUTHALL: In this example --
24 and I don't intend to read in Items 1, 2 and 3, the steps
25 of the example that are shown at page 5 of the Rentcash

1 proposal.

2 But it -- Item 4, there is the statement:

3 "The borrower, at his option, can use
4 three hundred dollars (\$300) of the new
5 loan proceeds of the three hundred
6 twenty-five dollar (\$325) loan to fully
7 pay out the first loan."

8 Do you see that?

9 MR. GORDON REYKDAL: Yes, I do.

10 MS. ANITA SOUTHALL: How is that not a
11 rollover or a partial rollover? Can you explain the
12 difference?

13 MR. GORDON REYKDAL: I mean, up until the
14 customer's due date, they're -- they have an equity line
15 that's set and that's approved by the lender.

16 I mean, this example here is to
17 demonstrate the extreme scenario or situation, which,
18 hopefully, we're trying to -- to accomplish here. But
19 the customer, for example, is qualified for six hundred
20 and twenty-five dollars (\$625).

21 They can come any time -- and we're saying
22 on his payday for -- for an extreme example, but any time
23 between the initial loan and during this whole period of
24 -- when that loan is due, he has an equity line of -- in
25 this example here, he only takes out three twenty-five

1 (325), he's left a balance of three hundred dollars
2 (\$300) to -- to borrow.

3 So, as long as he still qualifies that
4 maximum amount, he would qualify for six hundred and
5 twenty-five dollars (\$625) in total.

6 So, with the three hundred dollars (\$300)
7 still outstanding, a new loan can be made up to three
8 twenty-five (315) with -- with us charging our fees
9 specifically on the new monies advanced.

10 And, at that point, the customer has two
11 (2) loans outstanding. It would be at the customer's --
12 their discretion whether they pay the -- if they were to
13 use the funds to pay that loan out, they could do so.

14 But, if not, that loan would be
15 outstanding and go into default the next day. And -- but
16 the customer would not be outside of what they were
17 granted for their equity line to the consumer.

18 So, that would be within line and, you
19 know, again, the -- the customer's not paying a fee on
20 the same monies borrowed twice.

21 MS. ANITA SOUTHALL: Could you just
22 explain at step Number 5 under Example D how the second
23 loan in the amount of three hundred twenty-five dollars
24 (\$325) is due on the next payday? Would that also be due
25 the next day?

1 MR. GORDON REYKDAL: No, this would be
2 due on his next payday. Because we're making this
3 example here, we're -- we're assuming he returns on his
4 payday to repay the monies.

5 So, this would be due, basically, on his
6 next payday. So this is the example we put forward.
7 Again, it's to demonstrate or to illustrate, pardon me,
8 an extreme. But, you know, that's -- that was the intent
9 of the -- the illustration, to demonstrate the extreme.

10 MS. ANITA SOUTHALL: But the six hundred
11 twenty-five dollars (\$625) equity limit, if I'm phrasing
12 that correctly, is for the original pay period, correct?

13 MR. GORDON REYKDAL: Yes. And -- and
14 then the customer would have to provide recent stubs to
15 ensure that he still qualifies for that amount. Because
16 there's a process where the customer would come in,
17 they'd have to reconfirm their amounts that they're
18 actually qualified for before there could be any further
19 -- further advances.

20 And this illustration here, it's saying
21 that the customer still does qualify for it and is in
22 good standing, of course, still with the lender. And
23 it's a -- well, quite frankly, it's a letter -- a
24 lender's credit decision with respect to that particular
25 customer.

1

2

(BRIEF PAUSE)

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MS. ANITA SOUTHALL: Sir, if the second loan was advanced during the first payday period -- that being the three hundred twenty-five (\$325) dollar amount in Example D -- can you explain how it becomes due on the next payday?

9

10

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12

And -- and I -- I take it, it's implicit, pardon me, in this example, so correct me if I'm wrong, that there are two (2) full loan fees associated with two (2) separate loans in the example?

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MR. GORDON REYKDAL: Yeah, there are two (2) separate loan fees with two (2) separate loans, that's correct.

(BRIEF PAUSE)

MR. GORDON REYKDAL: I think maybe if -- if your question with respect to, I mean, we -- for the -- for the customer, there's no way you'd have that customer's loan due, for example, the next day. You'd certainly work towards the customer's next pay period.

I mean, it would be -- it wouldn't be logical for a customer to come in and expect to have that

1 loan repaid the next day. They wouldn't do that. And,
2 so, it would be to their next payday.

3 And this is an extreme example, but what
4 does take place during the place during the period. I
5 mean, a customer can come in three (3) or four (4) days
6 later before their next payday and at -- and increase
7 what's available in their equity line made available to
8 them from the lenders.

9 MS. ANITA SOUTHALL: So if someone comes
10 in then, in Example D, and is not expected to be able to
11 pay the second three hundred twenty-five (\$325) dollar
12 advance off within two (2) or three (3) days, does
13 interest continue to accumulate to the next payday which
14 may be a total of, for example, eighteen (18) days?

15 MR. GORDON REYKDAL: Interest would
16 accumulate and continue to -- to accumulate from -- from
17 the date the loan is originated until it's repaid in
18 full.

19 MS. ANITA SOUTHALL: So, sir, is this
20 person in Example D not taking a second loan that's
21 payable on their next payday and is using that money to
22 pay off the first loan?

23 MR. GORDON REYKDAL: What we've used for
24 -- well, in this example, it's -- that would be at the
25 customer's discretion. They're -- they have two (2)

1 separate loans. The customer would -- the original loan
2 would go in default the next day. So the interest would
3 not stop accumulating and the -- that -- that loan would
4 go into default. I mean, it's the customer's option.

5 Again, hopefully, we didn't make it too
6 much of a -- I mean, we're trying to take it to the
7 extreme from an illustration perspective, but a customer
8 coming in -- the typical situation, a customer would be
9 coming in with plans to leave with money in their pocket.

10 But, again, this could be an extreme
11 situation that, you know, would rarely take place. But,
12 still, it's an extreme situation.

13 MS. ANITA SOUTHALL: And it's a situation
14 that Rentcash facilitates though?

15 MR. GORDON REYKDAL: But it --

16 MS. ANITA SOUTHALL: If -- if the person
17 wants it.

18 MR. GORDON REYKDAL: If the customer
19 requested, then it would go back to the lender and the
20 lender makes their credit decisions from there and then -
21 - then the transaction would proceed accordingly.

22 MS. ANITA SOUTHALL: When someone is
23 identified as qualifying for six hundred and twenty-five
24 dollars (\$625), does the customer service representative
25 explain to them that they qualify for up to that amount

1 within the existing payday and that they -- if they want
2 to borrow a certain amount as a first loan, they could
3 come in and take subsequent loans up to the credit limit?

4 MR. GORDON REYKDAL: Yes, they do.

5 MS. ANITA SOUTHALL: At that time, when
6 that information is being shared, are they provided with
7 the information associated with the cost of two (2) loans
8 within a pay period versus maxing out their loan at first
9 instance to save themselves the cost of the second loan?

10 MR. GORDON REYKDAL: There would be no
11 difference in the costs. If the customer -- I mean, it
12 would be what is advantageous for the customer.

13 If the customer -- and what they're told
14 is what they qualify for, what the maximum amount they're
15 qualified for. And in this -- this example six hundred
16 and twenty-five (\$625) dollars, if the customer doesn't
17 need the money right away, the full balance -- full
18 amount -- you know, most certainly they're, you know,
19 they're not -- they're not encouraged to take it.

20 They, you know, they would say -- for
21 example, if it's now, for example, a hypothetical
22 situation. If -- if today was the 27th of the month and
23 rent was due on the 1st and they needed money on the 1st
24 but they were in the business the 27th, why would they
25 not -- why would they take all the money out today? And

1 they would, you know, defer taking that out which cost
2 them less in the -- in the long run.

3 So -- I mean, the customers are certainly
4 aware of what the cost would be and would be provided
5 examples that it would be lower to take less up front and
6 then, you know, the balance later, if need be.

7 MS. ANITA SOUTHALL: Panel members for
8 Rentcash, could you turn to page 5. We were actually --
9 sorry, we're on page 5 on Example D.

10 I just want to turn to the default issues
11 that are part of the Rentcash proposal for a moment. At
12 the bottom of page 5 there is a statement:

13 "It is recommend..."

14 Sorry, it would be the third line down in
15 the last paragraph.

16 "It is recommended that a fee not be
17 considered as a true fee in respect of
18 a default if the default is structured
19 so that the customer defaults before he
20 receives his pay. This is a payday
21 loan fee."

22 Do you see that statement?

23 MR. GORDON REYKDAL: Yes, I do.

24 MS. ANITA SOUTHALL: And is that
25 reference to the kind of fee structure, for example,

1 that's employed by Money Mart in -- in terms of some fee
2 that's applicable the day before payday, for example?

3 MR. GORDON REYKDAL: I would say more --
4 more broadly, with respect to the industry, which --
5 which would have include -- include Money Mart.

6 MS. ANITA SOUTHALL: Do you know of any
7 other operators in Manitoba right now that are doing
8 this?

9 MR. GORDON REYKDAL: Not specifically in
10 Manitoba, but -- no, no.

11 MS. ANITA SOUTHALL: How is this example
12 identified? What -- what was the point of reference for
13 this particular part of the submission?

14 MR. GORDON REYKDAL: I think just to --
15 with respect to ensuring that all fees were -- were
16 captured, I guess, is one -- one aspect of the point, and
17 that would be the primary point. But it is just to be,
18 you know, to be -- to bring to the attention that that is
19 a practice that is -- that is used in the industry so...

20 MS. ANITA SOUTHALL: And at the top of
21 page 6, Rentcash submits that for -- for such an amount
22 to be included in the maximum cost of credit, it -- it
23 would be possible for the Board -- for example, any such
24 item portrayed as a default fee be minimized. The
25 example given of one (1) cent being allowed for example,

1 you know, just as a hypothetical, I take it?

2 Is that your position today?

3 MR. GORDON REYKDAL: Yes, it is.

4 MS. ANITA SOUTHALL: And then if -- on
5 page 6 -- if you could stay there please, the third
6 paragraph down, the statement is:

7 "For all other fees in respect of a
8 default, Rentcash recommends a one (1)
9 time maximum fee of forty dollars (\$40)
10 in respect of a payday loan."

11 And would that be in addition to the 59
12 percent ongoing interest rate?

13 MR. GORDON REYKDAL: Yes, it would.

14 MS. ANITA SOUTHALL: And Rentcash has
15 recently, I think you indicated earlier, reduced its
16 default charge to twenty-five dollars (\$25), correct?

17 MR. GORDON REYKDAL: That's correct.

18 MS. ANITA SOUTHALL: And is there --
19 could you just elaborate on why, having made that
20 adjustment recently, you're submitting the maximum fee be
21 fifteen dollars (\$15) higher than that as a -- as a flat
22 fee?

23 MR. GORDON REYKDAL: I think that it
24 speaks to our overall proposal that, you know, we're --
25 our recommendation and our proposals refer to rates that

1 allow for businesses to operate in the marketplace
2 competitively.

3 And this is something that would be a rate
4 or a range that we -- we recommend and not necessarily
5 what we would charge.

6 MS. ANITA SOUTHALL: I believe Dr.
7 Clinton addressed the issue of rate adjustment for
8 inflation. Rentcash's proposal at page 7 of the document
9 makes a submission that there should be an -- in the --
10 in the Board's Order, an automatic increase to address
11 inflation.

12 Dr. Clinton, as I recall, did not think
13 that that was a necessary requirement, and he explained
14 his rationale for that.

15 Does Rentcash continue to assert,
16 nonetheless, the inflationary factor ought to be
17 incorporated?

18 MR. GORDON REYKDAL: Well, in our
19 proposal, I think that we -- we've -- we've described
20 that. We think there should be some, you know,
21 consideration with respect to inflation.

22 I mean, we know that our costs are not
23 going to stay static, and we know that, indeed, they're
24 going to increase. And using a measure, as we've
25 described in our proposal, is -- is what we feel, and

1 what we recommend.

2 MS. ANITA SOUTHALL: If I could just have
3 a moment. I'm -- I believe that I'm nearly done. I just
4 need to check my notes for a moment.

5

6 (BRIEF PAUSE)

7

8 MS. ANITA SOUTHALL: Just -- just a few
9 follow-up questions, MR. Reykdal, from your oral
10 evidence.

11 You did speak of a cancellation deadline
12 that currently applies for Rentcash. Is it twenty-four
13 (24) hours after the loan transaction is concluded that
14 someone can come in and cancel?

15 MR. GORDON REYKDAL: That's correct, yes.
16 They can rescind the loan within a twenty-four (24) hour
17 time frame and basically unwind the transaction for no
18 cost to the consumer whatsoever.

19 MS. ANITA SOUTHALL: And do you have
20 statistics on how many consumers annually come in to
21 cancel?

22 MR. GORDON REYKDAL: We do have -- we
23 refer to cancellation and voids. We do have that
24 information.

25 It's not been really specifically broken

1 down, but any loan transaction has been voided and
2 rescinded are categorized, from a reporting perspective,
3 under the same structure. But we can get that number for
4 you.

5 MS. ANITA SOUTHALL: Yes, if you would
6 do. I -- I'm not sure how it would be reported in your
7 system. I don't -- I don't want to make you go through -
8 - like, if it's a percentage of total number of loans
9 issued in a year, for example.

10 If there's a way to identify that, that
11 would be of assistance, I think.

12 MR. GORDON REYKDAL: Okay. And -- and
13 just the one (1) -- the one (1) way we do category -- or
14 capture the information, pardon me, is through voids and
15 rescinds are all into one (1), so we -- we do have that
16 number that we can -- we can certainly provide.

17 MS. ANITA SOUTHALL: Thank you. If you
18 could undertake to do that.

19

20 --- UNDERTAKING NO. 72: Rentcash panel to provide
21 statistics on how many
22 consumers come in to cancel
23 loans annually.

24

25 CONTINUED BY MS. ANITA SOUTHALL:

1 MS. ANITA SOUTHALL: And if someone
2 cancels their loan, do they receive a refund of all of
3 the fees?

4 For example, would they be -- turn in
5 their debit card, receive their eight dollars (\$8) back,
6 receive any charge that does end up being applied to it
7 for Direct Cash, any of those kinds of fees?

8 MR. GORDON REYKDAL: Correct. They
9 receive 100 percent of all of the -- of any costs,
10 period.

11 MS. ANITA SOUTHALL: I recall that you
12 indicated also, Mr. Reykdal, in your direct evidence,
13 that only the basic information is requested from a
14 customer, as required for loan purposes.

15 Do you recall that?

16 MR. GORDON REYKDAL: Yes, I do.

17 MS. ANITA SOUTHALL: In Information
18 Request information, in advance of the oral Hearing
19 process, my understanding is that Rentcash also asked for
20 -- verbally for Social Insurance Numbers of customers,
21 although they were not required to provide it.

22 Can you confirm if that is accurate?

23 MR. GORDON REYKDAL: That's correct.

24 MS. ANITA SOUTHALL: Why is that
25 information being requested if it's not required for the

1 loan?

2 MR. GORDON REYKDAL: It's adif --
3 additional information that is required, part of -- also
4 from the lender's perspective, information is requested
5 with respect to Social Insurance -- Insurance Numbers to
6 further validate -- you know, confirmation of the
7 individual, themselves, that are applying for the loan.

8 And again, it's -- it is -- you know, the
9 customer is not required to -- to provide it, but it is -
10 - it's certainly requested.

11 MS. ANITA SOUTHALL: So the Social
12 Insurance Number is provided to the lenders, and does the
13 customer know that the lenders will be making use of the
14 Social Insurance Number to make inquiries, for example?

15 MR. GORDON REYKDAL: I believe they could
16 check the loan application agreement. I think it
17 provides for -- that all -- in every -- all the
18 information provided for on the loan application can and
19 will be used by other parties. And I believe that that
20 is consented to in the loan application that the
21 customers execute upon the -- the initiation of the --
22 the process.

23 MS. ANITA SOUTHALL: If a SIN number is
24 not supplied by a borrower, is that -- does that affect
25 the risk criteria and lending for any of the lenders?

1 Is -- is that -- does that factor in
2 somewhere?

3 MR. GORDON REYKDAL: No, it does not.

4 MS. ANITA SOUTHALL: Just changing the
5 subject matter here, panellists, what is the nature of
6 the monthly income or fixed income that would typically
7 support the signature loan product?

8 In other words, I'm looking for the nature
9 of the income source based on whatever documentation
10 customers provide at a Rentcash outlet, kinds of income
11 that they could be receiving?

12 MR. GORDON REYKDAL: It could -- it could
13 be customers receiving monthly -- monthly income. Are
14 you looking for specifics of the types of individuals?

15 MS. ANITA SOUTHALL: Well, specifics of
16 the types of income, yes. Like, is it pension income,
17 employment income, disability income? That's the kind of
18 categorization I'm looking for.

19 MR. GORDON REYKDAL: Okay. It would
20 provide for, yeah, any monthly income whether it be
21 contracting, whether it be, yeah, anybody paid monthly.
22 It could be from any type of assistance -- government
23 assistance, yeah, pension, any -- anything along those
24 lines where the customer receives month -- pardon me,
25 income on a monthly basis.

1 But it would be from a varying, I guess,
2 pretty broad -- broad base of -- of consumers.

3 MS. ANITA SOUTHALL: And with respect to
4 government assistance forms of income, could you just
5 identify the nature of that type of support payment that
6 would be included as -- as considered income in a loan
7 transaction?

8 MR. GORDON REYKDAL: It would be -- it
9 could be social assistance. It could be child tax
10 credits. It could be any -- any income that's received
11 on a monthly basis.

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: Those are my
16 questions of the panel members. Thank you for your
17 patience with me.

18 THE CHAIRPERSON: Thank you to the panel
19 and Ms. Southall.

20 Now, as I understand it, we will now move
21 to Mr. Foran and then, after Mr. Foran and Mr. Williams,
22 we are going to bring Dr. Clinton back. So, Mr.
23 Foran...?

24 MR. ALLAN FORAN: Thank you, Mr.
25 Chairman.

1 CROSS-EXAMINATION MR. ALLAN FORAN:

2 MR. ALLAN FORAN: Mr. Reykdal, is it the
3 position of Rentcash that healthy competition exists in
4 Manitoba in the payday loan industry?

5 MR. GORDON REYKDAL: Yes, it does.

6 MR. ALLAN FORAN: Rentcash was formally a
7 member of CPLA?

8 MR. GORDON REYKDAL: That's correct.

9 MR. ALLAN FORAN: And participated as a
10 member of CPLA through to November of 2006?

11 MR. GORDON REYKDAL: I believe that's
12 correct on the dates, yes.

13 MR. GORDON REYKDAL: And, as such, you're
14 familiar, Mr. Reykdal, with the members of CPLA?

15 MR. GORDON REYKDAL: Yes, I am.

16 MR. ALLAN FORAN: And you'd agree with
17 me, Mr. Reykdal, that all of CPLA's current membership
18 compete with Rentcash in the Manitoba marketplace?

19 MR. GORDON REYKDAL: That's correct.

20 MR. ALLAN FORAN: And that includes large
21 companies, small companies, single-line providers, and
22 multi-line providers?

23 MR. GORDON REYKDAL: That's correct.

24 MR. ALLAN FORAN: I'd like to refer you
25 to Tab 54 if I could.

1

2

(BRIEF PAUSE)

3

4

MR. ALLAN FORAN: Specifically page 9.

5

And Tab 54 was a presentation that, as I understand it,

6

was made by Rentcash to possible US investors?

7

MR. GORDON REYKDAL: That's correct.

8

MR. ALLAN FORAN: And that presentation

9

took place recently, I understand. That was sometime

10

this fall?

11

MR. GORDON REYKDAL: That's correct.

12

MR. ALLAN FORAN: And, specifically on

13

page 9, there's a description of the lending structure,

14

how -- and I describe it this way -- how Rentcash, how

15

its business model operates.

16

Is that how you perceive that?

17

MR. GORDON REYKDAL: That's correct.

18

MR. ALLAN FORAN: And what you are

19

attempting to do is to provide an accurate description of

20

the Rentcash operations to the US investment bank that

21

you were participating with?

22

MR. GORDON REYKDAL: That's correct.

23

MR. ALLAN FORAN: And, specifically, that

24

slide is accurate, is it?

25

MR. GORDON REYKDAL: That's correct.

1 (BRIEF PAUSE)

2

3 MR. ALLAN FORAN: Now, I don't think you
4 need to refer back to it quite yet, but today you filed a
5 corrected Table A, which is noted as Rentcash Number 16.
6 And that Table A set out three (3) different scenarios.

7 And again, when I look at it, I see the
8 first third of the page deals with a payday loan using
9 something called a "broker model," and that's the model
10 that Rentcash employs?

11 MR. GORDON REYKDAL: That's correct.

12 MR. ALLAN FORAN: The middle column is a
13 payday loan model, which is a "cheque casher default
14 model," and that's what you've described as -- as being
15 the model employed by Money Mart?

16 MR. GORDON REYKDAL: Correct.

17 MR. ALLAN FORAN: And then the third
18 model is something called an "administrative fee model"
19 which, as I take it, is employed by Dash Into Cash?

20 MR. GORDON REYKDAL: That's correct.

21 MR. ALLAN FORAN: So what I'd like to --
22 to now go through is what I would call the distinctions
23 between these various models. Now Rentcash operates
24 through storefront locations in Manitoba?

25 MR. GORDON REYKDAL: That's correct.

1 MR. ALLAN FORAN: And that's similar to
2 those that are operated, bricks and mortar, by other CPLA
3 members?

4 MR. GORDON REYKDAL: Correct.

5 MR. ALLAN FORAN: There's no distinction
6 there?

7 MR. GORDON REYKDAL: Other than service
8 they provide and other related things, yes. Yeah.

9 MR. ALLAN FORAN: Okay. And Rentcash has
10 customer service representatives that deal with
11 customers?

12 MR. GORDON REYKDAL: That's correct.

13 MR. ALLAN FORAN: And there's no
14 distinction between customer service representatives
15 servicing customers for Rentcash and customer service
16 representatives servicing, for example, the other CPLA
17 member customers?

18 MR. GORDON REYKDAL: I can't speak to
19 exactly what type of level or what -- what they do, but I
20 mean they service their customers and under their
21 business structure and the services they offer. I mean,
22 so I can't really speak to exactly -- I can't compare the
23 two (2). I think that there are some differences, but --

24 MR. ALLAN FORAN: Okay. So -- so let me
25 look at, specifically, at page 9 for a moment on the

1 right-hand side of that page, and I'm still looking now
2 at Tab 54.

3 There's a box called "The Broker," and the
4 first bullet under that is "Processes information for the
5 lender."

6 That's similar to what CPLA members do, to
7 your knowledge? Their customer service representatives
8 process information for the lender?

9 MR. GORDON REYKDAL: One distinction --
10 that they are being the lenders or there is -- there is
11 some differences there, but I don't want to get, I mean,
12 necessarily too technical. And I'm not sure I'm
13 understanding what you're asking.

14 But -- but the difference is that the --
15 in the other competitors in the marketplace you're
16 referring to they are the lender.

17 MR. ALLAN FORAN: Right. And I'll come
18 to that in a moment. And -- and maybe we can just cut to
19 the chase. The key distinction between Rentcash and CPLA
20 members is that Rentcash does not act as a lender.

21 MR. GORDON REYKDAL: That's correct.

22 MR. ALLAN FORAN: And -- and, in fact,
23 that's probably the only distinction, correct?

24 MR. GORDON REYKDAL: No, there'd be other
25 -- be other distinctions also.

1 MR. ALLAN FORAN: Sure. Can you tell me
2 what those are?

3 MR. GORDON REYKDAL: There are certain
4 things that we -- we do now and -- and as we operate as a
5 company that we -- I think we would differentiate
6 ourselves from our competitors in the marketplace.

7 A lot not only has to -- to be with the --
8 the -- our lender and broker structure model, but the
9 quality of the service we're able to offer our customers.

10 And in conjunction with that quality of
11 service, and also which we consider part of our product
12 offering, is our -- the process and then how we deal with
13 our customers from, not only the initiation process, but
14 also, too, from the collection aspect -- the collection
15 process with respect to consumers -- how we, you know, we
16 -- we pre-call our customers.

17 Our intent at the -- at the outset of the
18 transaction, our customers are there to -- in need. We
19 don't want to burden them with any additional costs. We
20 want to ensure that the customers are fully aware when
21 their -- when their loans are due, when they repay them,
22 and what the next steps are if indeed they do not.

23 And that's where we have our -- which we
24 consider a very effective program -- where we have a
25 three (3) day -- where we -- pre-call customers three (3)

1 days in advance of their loans being due.

2 And we think those are some of the
3 distinctive differences in how we operate our business,
4 overall, in comparison to our competitors.

5 MR. ALLAN FORAN: Okay. So the primary
6 difference is that Rentcash has no capital at risk as
7 compared to CPLA members, correct?

8 MR. GORDON REYKDAL: We're not
9 responsible for the loan losses, that's correct.

10 MR. ALLAN FORAN: Secondly, Rentcash
11 attempts to provide a quality service. But you would
12 expect that a prudent businessperson in Manitoba would
13 try and do that, wouldn't you?

14 MR. GORDON REYKDAL: I agree.

15 MR. ALLAN FORAN: The third distinction
16 you've identified is a collection practice. But you
17 would also agree, based on your knowledge of CPLA
18 members, that they, as well, attempt to collect funds
19 that are sent out, correct?

20 MR. GORDON REYKDAL: I think it -- I
21 mean, ours relates more to, which I refer to, not
22 necessarily collection, but more of a customer service.
23 And that is, you know, what we provide: a different level
24 of customer service to, we believe, to our customers in
25 comparison to the marketplace out there.

1 MR. ALLAN FORAN: Okay. And -- and any
2 distinction in rate, then, probably is reflective of --
3 of that quality of service between the proposal that you
4 have filed with the Board, for example, and the proposal
5 CPLA has filed?

6 MR. GORDON REYKDAL: I think our rate
7 reflects our service, correct.

8 MR. ALAN FORAN: Okay. Now I'm going to
9 just move ahead if I could. I understand from your
10 evidence that Rentcash has been aggressively targeting
11 the cheque cashing business.

12 That's correct?

13 MR. GORDON REYKDAL: That's correct.

14 MR. ALAN FORAN: And that you've only
15 secured cheque cashing revenues of about 3 percent of
16 certain levels despite major price point promotions?

17 MR. GORDON REYKDAL: Yes. And that
18 reference was to Robinson's levels provided for in his
19 tables, correct.

20 MR. ALAN FORAN: And I understand it's
21 Rentcash's position that the Board should be careful not
22 to set rates that reflect a cross-subsidization between
23 cheque cashing and payday lending. Correct?

24 MR. GORDON REYKDAL: That's correct.

25 MR. ALAN FORAN: And can I suggest to you

1 that essentially the Rentcash position is that you're
2 indicating that, from Rentcash's perspective, the cost of
3 operation of cheque cashing need to be covered in full
4 from cheque cashing revenue, correct?

5 MR. GORDON REYKDAL: Can I get you to
6 repeat that? I'm sorry. Could I get you to repeat that
7 question?

8 MR. ALAN FORAN: Certainly. Essentially,
9 what you're indicating is that the cost of providing
10 cheque cashing services need to be covered from cheque
11 cashing revenue, correct?

12 MR. GORDON REYKDAL: Most certainly, yes.

13 MR. ALAN FORAN: And would you agree with
14 me that that essentially is a Public Utilities model as
15 is identified in the evidence that you had filed with
16 the Board?

17 MR. GORDON REYKDAL: With respect to
18 cheque cashing being a Public Utilities model?

19 MR. ALAN FORAN: Yes.

20 MR. GORDON REYKDAL: I -- I don't really
21 know the answer to that, to be quite frank with you. I
22 mean, whether it falls under those type of guidelines or
23 not, and -- but -- yeah, I can't really -- I can't really
24 speak to that. I don't really know that?

25 MR. ALAN FORAN: Okay. So -- so

1 notwithstanding the label we put on it, it's the position
2 of Rentcash that the revenue from payday loans needs to
3 cover the payday loan service?

4 MR. GORDON REYKDAL: That's correct.

5 MR. ALAN FORAN: Now I understand, as
6 well, that competitors of Rentcash in Manitoba provide
7 different services such as for example, Western Union,
8 cheque cashing, that -- that's your understanding as
9 well?

10 MR. GORDON REYKDAL: That's correct.

11 MR. ALAN FORAN: And, in fact, you
12 provide, as Rentcash, the similar kinds of things, cheque
13 cashing and -- and Western Union?

14 MR. GORDON REYKDAL: That's correct.

15 MR. ALAN FORAN: Does Rentcash operate
16 its cheque cashing business as a separate division or a
17 separate corporation?

18 MR. GORDON REYKDAL: No. It's operated
19 within the entity.

20 MR. ALAN FORAN: And are the costs with
21 respect to providing cheque cashing allocated somehow in
22 your financial statements to cheque cashing revenue? Or
23 is it all part and parcel of your -- your cost reporting?

24 MR. GORDON REYKDAL: I mean, it's all
25 part of our cost reporting with the exception we do have

1 a cheque cashing department, which we publicly disclose
2 also, that provides for a -- a large portion of the costs
3 associated with the -- with the cheque cashing department
4 itself, excluding what our operating costs are at store
5 level.

6 But there's no distinction made, broken
7 down at cost and anything further -- further than that,
8 other than, of course, our revenue line, which we've
9 discussed earlier.

10 MR. ALAN FORAN: Okay. I'm going to move
11 ahead. Dr. Robinson, in his evidence, makes certain
12 assumptions about the -- the number of loans per month
13 issued by an individual store.

14 And I'd like to ask you a few questions
15 about Rentcash's actual experience. If I could refer you
16 to PUB/RENTCASH-1-A2(h). PUB/RENTCASH-1-A2, and the
17 question and answer is H.

18

19 (BRIEF PAUSE)

20

21 MR. ALAN FORAN: Do you have that?

22 The question that I'm referring to
23 specifically is the -- the PUB asked a question of
24 Rentcash to provide the number of payday loans transacted
25 in Manitoba by year for the last five (5) years, the

1 average loan size and the number of transactions.

2 So that was the question, and that was
3 PUB/RC-1-82, Question H.

4 And in response, Rentcash provided a
5 table, which is Attachment B to the response. If I could
6 just have you turn to that, please?

7 So my understanding from this table is
8 that in 2005 there were ninety-eight thousand four
9 hundred and one (98,401) loans issued at nineteen (19)
10 stores.

11 Is that correct?

12 MR. GORDON REYKDAL: Correct.

13 MR. ALLAN FORAN: And if we divide the
14 number ninety-eight thousand four hundred and one
15 (98,401) by the number of stores, and the number of
16 months in a year, that's four hundred and thirty-two
17 (432) loans per store.

18 Is that math accurate?

19

20 (BRIEF PAUSE)

21

22 MR. GORDON REYKDAL: Per month, correct.

23 MR. ALLAN FORAN: For 2006, the total
24 number of loans is ninety thousand four hundred and
25 thirty-seven (90,437).

1 Correct?

2 MR. GORDON REYKDAL: Correct.

3 MR. ALLAN FORAN: And, again, in that
4 year, the number of stores was twenty (20).

5 Correct?

6 MR. GORDON REYKDAL: Correct.

7 MR. ALLAN FORAN: And on a per-store,
8 per- month basis, that would be three hundred and
9 seventy-seven (377) loans.

10 Correct?

11 MR. GORDON REYKDAL: That's correct.

12 MR. ALLAN FORAN: And for 2007 -- and
13 your colleague is way ahead of me; she's already punching
14 the numbers -- the total number of loans was seventy-
15 eight thousand and ninety-seven (78,097) annualized over
16 twenty-six (26) stores, with the average number of loans
17 per store being two hundred and fifty (250).

18 Correct?

19 MR. GORDON REYKDAL: That's correct.

20 MR. ALLAN FORAN: And -- and that's a far
21 sight different from what Dr. Robinson has assumed?

22 MR. GORDON REYKDAL: That's correct.

23 MR. ALLAN FORAN: And so the Rentcash-
24 specific experience in Manitoba is not borne out what --
25 by what Dr. Robinson has made in his assumptions in -- as

1 in support of his recommendations.

2 Correct?

3 MR. GORDON REYKDAL: Absolutely correct.

4 MR. ALLAN FORAN: I'd like to now move to
5 a different area and, specifically, Dr. Clinton has
6 identified in his evidence that a payday loan gives a
7 customer immediate cash in hand, and that's one of the
8 features that's attractive to payday loan customers.

9 Do you accept Dr. Clinton's evidence?

10 MR. GORDON REYKDAL: Yes.

11 MR. ALLAN FORAN: And, in fact, the
12 Rentcash evidence also has similar statements to that
13 effect, that one of the advantages of a payday loan is --
14 is immediate access to cash.

15 Correct?

16 MR. GORDON REYKDAL: Correct.

17 MR. ALLAN FORAN: And I believe in the
18 evidence that you provided in direct, is that you
19 discussed a new product that Rentcash was considering,
20 which was an electronic funds transfer.

21 Correct?

22 MR. GORDON REYKDAL: That's correct.

23 MR. ALLAN FORAN: But that from your
24 perspective, it was too slow because it would take three
25 (3) days to advance cash to a customer's account, and

1 that's not what your customers were asking for.

2 Correct?

3 MR. GORDON REYKDAL: That's correct.

4 MR. ALLAN FORAN: A Rentcash customer can
5 receive proceeds of a loan by cheque or by debit card.

6 Correct?

7 MR. GORDON REYKDAL: That's correct. And
8 credit card.

9 MR. ALLAN FORAN: Or a credit card. And
10 Rentcash has taken the position that the debit card is
11 optional, because the customer, at no additional cost,
12 can choose to receive the loan proceeds by cheque.

13 Correct?

14 MR. GORDON REYKDAL: That's correct.

15 MR. ALLAN FORAN: Now, in one of the
16 Board IRs, PUB/Rentcash-1-B24, you indicated that a
17 customer who opts for the cheque typically receives it
18 the next day.

19 Correct?

20 MR. GORDON REYKDAL: That's correct.

21 MR. ALLAN FORAN: And you can help me
22 with this.

23 We took a look at the website for both
24 Cash Store and Installoan, and both of them indicate that
25 the cheque is sent out by lenders on the next business

1 day and usually arrives five (5) to seven (7) business
2 days later.

3 Are you aware of that?

4 MR. GORDON REYKDAL: I mean, I think it
5 would be described as a maximum amount. But, I mean, the
6 -- the customers can receive their cheque, as long as it
7 meets their -- the courier cutoff, they would receive it
8 the next day. But barring weekends and whatever else, it
9 may take -- it may take two (2) days, but, generally, the
10 next day.

11 And I believe that Assistive in their --
12 Assistive also confirmed that their turnaround was the
13 next business day also, too.

14 MR. ALAN FORAN: Is it your intention
15 then to amend your website to -- to change the website
16 description of five (5) to seven (7) days then?

17 MR. GORDON REYKDAL: If that's referring
18 to maximum dates versus probable dates, I mean, that
19 certainly can be taken into consideration. There's no
20 question about it.

21 MR. ALAN FORAN: Okay. And -- and then
22 this is just a point of clarification, and I'm going to
23 give you two (2) options.

24 We -- we took a look at the transcript of
25 the evidence of Rentcash over the course of the last day.

1 And -- and it might be that we've misunderstood this.

2 But, on one occasion I understand that it
3 was suggested that the cheques were mailed directly to
4 the customer. And that's page 1727, lines 10 to 14 of
5 the transcript.

6 But I also recall specifically that you
7 indicated that the cheque was sent by the lender to the
8 store, and that was page 1907, lines 2 to 9 of the
9 transcript.

10 Could -- could you clarify which in fact
11 is correct?

12 MR. GORDON REYKDAL: The cheques are sent
13 to the store and -- which is part of the -- the agreement
14 with the financier and the broker, that they are to be
15 sent right, directly to the store.

16 And that's where the customer originates
17 the transaction. And then they're basically -- the
18 repayments are made there, so they -- establishing that
19 relationship with the store personnel is key, but that's
20 -- they're sent to the store, so...

21 MR. ALAN FORAN: Do you know how much it
22 costs Rentcash to send out a cheque by -- or to -- to
23 have a cheque sent out by overnight courier?

24 MR. GORDON REYKDAL: It would cost the --
25 cost the, actually, the lender. It would cost them about

1 ten dollars (\$10) per trans -- per courier, nine ninety-
2 nine (9.99) I think, to be specific.

3 MR. ALAN FORAN: And is that cost
4 recovered somehow by the lender?

5 MR. GORDON REYKDAL: No, that's a direct
6 expense to the lender.

7 MR. ALAN FORAN: And is that part of the
8 lending agreement then that, at request, the lender's
9 going to absorb the cost of overnight couriers?

10 MR. GORDON REYKDAL: That's part of their
11 cost and is part of the agreement, correct.

12 MR. ALAN FORAN: Have you -- have you
13 given some thought -- and -- and I understand that as a
14 Western Union broker you may have drafts on-site.

15 Is that correct?

16 MR. GORDON REYKDAL: That's correct.

17 MR. ALAN FORAN: Have -- have you given
18 any consideration to entering into an arrangement with
19 the lender to have drafts from the lender on-site?

20 MR. GORDON REYKDAL: Not at this point,
21 no. But -- that's why we've taken steps with respect to
22 the electronic funds transfer and have further been able
23 to work with our main bank, which is the CIBC, to
24 facilitate a quicker transfer, to have it within the same
25 day or even, in some cases, possibly multiple times

1 during the day.

2 MR. ALAN FORAN: Just as a result of the
3 expense -- a ten dollar (\$10) expense -- on a loan which
4 actually seems quite large in terms of -- of average size
5 of the loans, do you -- have you received any pressure
6 from lenders to not encourage the use of cheques because
7 of the cost associated with the courier?

8 MR. GORDON REYKDAL: The cus -- the
9 lenders have no call on that whatsoever. I mean, it's at
10 the discretion of the customer. And the customer
11 requests it, the customer gets it.

12 And that's part of the deal with the
13 outline and the agreement of the -- with the lender that
14 is agreed upon prior to the process even beginning or
15 becoming them qualified as a lender.

16 MR. ALAN FORAN: Can you specifically
17 confirm whether any of your lending agreements -- and you
18 don't need to disclose names of specific lenders -- but
19 do any of them contemplate that there would be some sort
20 of an additional charge as between the lender and perhaps
21 a subsidization by Rentcash if cheques are couriered?

22 MR. GORDON REYKDAL: Those are costs --
23 those are costs -- I mean all the costs for the -- the
24 customer receiving their funds. I mean those -- those
25 are at the lender's expense, no -- no matter what it may

1 be so.

2 MR. ALAN FORAN: The setup of cour --
3 sending out by courier the overnight cheques to the
4 stores, is that unique to Manitoba, or is that across the
5 entire Rentcash system?

6 MR. GORDON REYKDAL: That's right across
7 the country.

8 MR. ALAN FORAN: I'd like to speak a
9 little more to cheque cashing. And I understand that
10 Rentcash has aggressively targeted the cheque cashing
11 market, correct?

12 MR. GORDON REYKDAL: That's correct.

13 MR. ALAN FORAN: Are all types of cheques
14 cashed by Rentcash?

15 MR. GORDON REYKDAL: With the exception
16 of some per -- I mean, there are some qualifications and
17 some differences, but the majority of the cheques cashed
18 by our competitors are cashed by us.

19 MR. ALAN FORAN: For example, does
20 Rentcash cash government cheques?

21 MR. GORDON REYKDAL: I would say we do,
22 yes, yeah.

23 MR. ALLAN FORAN: Okay. And do you have
24 any specific protocol to separate government cheques from
25 any other kinds of cheques that Rentcash may cash in

1 Manitoba?

2 MR. GORDON REYKDAL: Speaking
3 specifically to or about the regulations that are in
4 place or guidelines around the Government cheques that
5 are separate and distinct from that of the, we'll call
6 them regular pay cheques.

7 MR. ALLAN FORAN: Now, I also understand
8 from your evidence that there's minimal amounts of cash
9 that are kept on premises by Rentcash in its Manitoba
10 locations?

11 MR. GORDON REYKDAL: That's correct.

12 MR. ALLAN FORAN: And, I'm curious then,
13 how do you cash cheques? What do you use to actually
14 distribute to customers?

15 MR. GORDON REYKDAL: All funds are
16 provided for on the private -- on the -- debit cards
17 and/or -- and, well, debit cards primarily. Yeah, that's
18 all the funds are provided for.

19 MR. ALLAN FORAN: Are any funds paid out
20 in cash?

21 MR. GORDON REYKDAL: No. That's not our
22 policy, no.

23 MR. ALLAN FORAN: Does the customer have
24 an option of receiving the funds by cheque?

25 MR. GORDON REYKDAL: With respect to

1 cheque cashing?

2 MR. ALLAN FORAN: Yes.

3 MR. GORDON REYKDAL: No.

4 MR. ALLAN FORAN: Okay.

5 MR. GORDON REYKDAL: That wouldn't be a
6 practical approach.

7 MR. ALLAN FORAN: And that's a -- it's a
8 little circular, isn't it?

9 So -- so realistically then anybody coming
10 into cash a cheque in Manitoba is going to have the funds
11 deposited on a credit card or debit card?

12 MR. GORDON REYKDAL: Well, they're, yeah,
13 I mean, it's -- there -- there is, I mean, it's not
14 exactly that way. I mean the customer's cheque is not
15 cleared yet, so there's an -- again, the customer has to
16 qualify for a certain degree of -- of worthiness before
17 that monies are advanced.

18 The advance limit is set on the card until
19 that actual cheque clears, but that advance limit is
20 determined at the time. And then the cheque is then
21 cleared through the processing system, which usually
22 takes two (2) to three (3) days.

23 But it is all provided for on the card,
24 and that's how they -- it would access their funds.

25 MR. ALLAN FORAN: So they can't actually

1 receive funds right away? There is a hold of several
2 days while the cheque clears?

3 MR. GORDON REYKDAL: No, there's no hold.
4 I mean, through the cheque -- through the -- the cheque's
5 going through our process. The customers are not
6 actually loaded funds on the card. There is an advance
7 limit set on the card that would be equal to the amount
8 of that cheque being cashed, assuming that -- that
9 everything is met or qualified for.

10 And then that -- the customer has the
11 ability to withdraw those funds on those cheques. We're
12 the ones that have to wait two (2) or three (3) days for
13 it to clear.

14 MR. ALLAN FORAN: But the customers
15 have --

16 MR. GORDON REYKDAL: Immediate --

17 MR. ALLAN FORAN: -- have access?

18 MR. GORDON REYKDAL: Immediate access,
19 yeah.

20 MR. ALLAN FORAN: And are the fees
21 associated with loading the debit card and using it the
22 same as you've described for payday loans?

23 MR. GORDON REYKDAL: All the transaction
24 fees, again, would be all variable -- variable costs to
25 the consumer, yes.

1 MR. ALLAN FORAN: And when you use the
2 word "variable," I -- I -- just, I have trouble with that
3 word. Are they the same fees or are they not?

4 MR. GORDON REYKDAL: The same applicable
5 fees, yeah.

6 MR. ALLAN FORAN: And the applicable fees
7 would be to purchase the debit card, for example, eight
8 (\$8) dollars?

9 MR. GORDON REYKDAL: We have various
10 different marketing campaigns that are underway and by
11 province we -- we have used some of our marketing efforts
12 towards, you know, making it, I guess, more attractive
13 for the cheque cashing customers and whereby in certain
14 provinces we've -- we've waived the -- the requirement
15 for the purchase of the card completely for the customer
16 to try to bring our rates to when we offer 50 percent, so
17 that's truly a 50 percent off our major competitors'
18 rates, basically, everything all in.

19 MR. ALLAN FORAN: So today, in Manitoba,
20 if we -- if we wanted to cash a cheque, would there be
21 any dollar fee to purchase a debit card today?

22 MR. GORDON REYKDAL: No, there would not,
23 today.

24 MR. ALLAN FORAN: What would be the fee
25 today?

1 MR. GORDON REYKDAL: There would be no
2 fee to purchase the card, zero.

3 MR. ALLAN FORAN: And then to load the
4 debit card, what would be the fee today?

5 MR. GORDON REYKDAL: There is no fee.

6 MR. ALLAN FORAN: To use the debit
7 card...?

8 MR. GORDON REYKDAL: Again, it depends on
9 the customer, where they use it. Their fees could vary.

10 MR. ALLAN FORAN: And then what do you
11 charge to cash a government cheque today, for example?

12 MR. GORDON REYKDAL: Fifty percent off
13 our competitors' rates, so approximately 1.5 percent.

14 MR. ALLAN FORAN: Whose money is being
15 used to pay out these cheques? Is that Assistive
16 Financial's money?

17 MR. GORDON REYKDAL: No.

18 MR. ALLAN FORAN: Is that Rentcash money
19 then?

20 MR. GORDON REYKDAL: That's correct.

21

22 (BRIEF PAUSE)

23

24 MR. ALLAN FORAN: Now I'd like to turn,
25 if I could, to Rentcash Exhibit 10, which is the Rentcash

1 proposal.

2

3 (BRIEF PAUSE)

4

5 MR. ALLAN FORAN: And it's specifically
6 page 5, sub ©, "Fees in Respect of a Default."

7 This has come up a couple of times, but
8 Rentcash has been critical of the business model that
9 provides for a loan due date on the day before payday and
10 then having a separate fee that accrues if the customer
11 doesn't come in to pay the loan balance.

12 You are critical of that, are you not?

13 MR. GORDON REYKDAL: Critical may be the
14 wrong definition there. I think we're aware of it.

15 MR. ALLAN FORAN: In fact, isn't that the
16 business model you operate under in Nova Scotia?

17 MR. GORDON REYKDAL: And I -- that is --
18 that's correct, what you're saying, but that's only at
19 the request of the Government of Nova Scotia.

20 We -- we -- we wouldn't have been licensed
21 unless we would have consented to operating under that
22 structure, so -- which was against what we submitted for,
23 for our licensing and everything else.

24 But that is at the wish of the government,
25 so we certainly complied. And we want to operate there

1 in the province, so we had no other option.

2 MR. ALLAN FORAN: And so to be licensed
3 in Nova Scotia, you need to follow this model. Correct?

4 MR. GORDON REYKDAL: Yes. We were
5 instructed to do -- to do that, correct.

6 MR. ALLAN FORAN: Okay. And so -- but
7 you don't like the model?

8 MR. GORDON REYKDAL: That is correct.

9 MR. ALLAN FORAN: And you've indicated,
10 in fact, in your filing in Nova Scotia that you're using
11 it because of the particular legal requirements there.

12 Correct?

13 MR. GORDON REYKDAL: That it is a correct
14 requirement of licensing.

15 MR. ALLAN FORAN: And once the maximum
16 fees and exemption of the Criminal Code Interest
17 Provisions take affect, it won't be necessary any more,
18 will it?

19 MR. GORDON REYKDAL: I mean -- are you
20 referring to Nova Scotia?

21 MR. ALLAN FORAN: Nova Scotia.

22 MR. GORDON REYKDAL: Nova Scotia, in
23 their -- in the information that's been provided to us to
24 date, is that they have -- in their proposed regulations,
25 have provided for, and have accommodated the broker --

1 our broker lender structure within that licensing, or the
2 new -- pardon me -- regulatory structure they're planning
3 to put in place.

4 So -- so I -- I don't know if I can answer
5 that, because there's -- there -- I mean, what they've
6 told us is something different from what you're telling
7 me.

8 MR. ALLAN FORAN: So you will continue to
9 follow the model you don't like in Nova Scotia after they
10 set the rates?

11 MR. GORDON REYKDAL: No, that's
12 incorrect.

13 What I did say is that the government has
14 provided for in their new draft regulations is they would
15 accommodate, and then -- the model in the current
16 structure that the company operates, and we believe
17 that's specific to Rentcash, so...

18 MR. ALLAN FORAN: So, just with full
19 disclosure, however, the model that you don't like,
20 you're operating under in Nova Scotia?

21 MR. GORDON REYKDAL: Which we intend to
22 change when regulations come into place, yes.

23 MR. ALLAN FORAN: Okay. And -- and
24 that's at the specific request and direction of the
25 Province of Nova Scotia?

1 MR. GORDON REYKDAL: That's the only
2 reason we're using it. Otherwise, you wouldn't be able
3 to operate in the province. And we have a lot of -- a
4 lot of storefronts, employ a lot of people in the
5 province, and we changed at their request, solely.

6 MR. ALLAN FORAN: My understanding is
7 that in Nova Scotia, Rentcash outlets charge an NSF fee
8 of fifty dollars (\$50)? Correct?

9 MR. GORDON REYKDAL: That's correct.

10 MR. ALLAN FORAN: And that's -- the
11 twenty-five dollar (\$25) number that you have referred to
12 in your evidence only relates to Manitoba?

13 MR. GORDON REYKDAL: At this stage. It's
14 running as a test in the Province of Manitoba. And --
15 and we're hoping it's successful and we'll be able to
16 roll it out to the rest of the -- the country.

17 But we're certainly using Manitoba as our
18 -- our test basis for the -- for the new default charge.

19 MR. ALLAN FORAN: And can you tell me how
20 you define "success"? What's going to make it
21 successful? Is it -- please go ahead.

22 MR. GORDON REYKDAL: Customers.

23 MR. ALLAN FORAN: And, at first instance
24 -- and you know, maybe it's me, but if somebody was going
25 to charge me less for something, I -- I would applaud it

1 enthusiastically.

2 Is -- is there anything that you're really
3 waiting for for your customers throughout the rest of
4 Canada before you implement the twenty-five dollar (\$25)
5 NSF fee there as well as here?

6 MR. GORDON REYKDAL: Well, we're quite --
7 to be quite frank, we're looking for customer growth from
8 com -- other competitors also too, because we find that
9 this is an area that can be improved upon in the
10 competitive environment, and that's why we're acting on
11 it.

12 So we -- we think that the end result will
13 prove itself through, that -- you know, that will lead us
14 to -- to greater things, so.

15 MR. ALLAN FORAN: So if you don't attract
16 new customers, you'll do away with the twenty-five dollar
17 (\$25) NSF fee and increase it?

18 MR. GORDON REYKDAL: No. I -- I didn't
19 say that, no.

20 So, I mean we -- we've got it in Manitoba,
21 and if we're -- as I was mentioning, it's something that
22 we're looking at it from a comp -- from a competitive
23 perspective, and we know what the -- the environment is.
24 And again, we will proceed accordingly when -- based on
25 the -- based on the success of it.

1 MR. ALLAN FORAN: Now, my understanding
2 of that twenty dollar (\$20) -- twenty-five dollar (\$25)
3 NSF fee is that there's also solicitor charges that are
4 occasioned as well by the customer?

5 MR. GORDON REYKDAL: There would be --
6 that would only come into account if the loan would be
7 past ninety (90) days, and that would be covering the
8 cost up to a ninety (90) day period.

9 So, if indeed, there was someone that was
10 gainfully employed and just refused to pay and they went
11 to court and we had -- there was other court costs and
12 everything else that were involved, that's probably the
13 only occasion -- or time you'd ever get it to a situation
14 where you -- that would ever actually occur, is the
15 customer would have to have the ability to pay and just
16 said, Well, we're not paying, period.

17 And the lender says, Well, look. I mean,
18 this employee's been there for five (5) years. We're
19 going to pursue that, and he's going to be responsible
20 for the cost, because he's not paid us. So, that's the
21 only time that would occur.

22 MR. ALAN FORAN: Do you have a fee
23 schedule of solicitor charges?

24 MR. GORDON REYKDAL: Maybe you can
25 provide me that.

1 MR. ALAN FORAN: No, I don't think so.

2 But do you have fee schedule?

3 MR. GORDON REYKDAL: I -- I think it
4 would vary -- depending on what's involved. I think
5 it's going to be by -- whatever time is involved on an
6 individual basis. There's no set rate, because I just --
7 I think that the -- I -- I can't even answer that, so...

8 MR. ALAN FORAN: Okay. A couple of
9 questions on debit cards. Do you get access to PIN
10 numbers, customers' PIN numbers?

11 MR. GORDON REYKDAL: There is a process
12 within the company that provides for the customers, with
13 customer's authorization, to leave that particular number
14 at the store and -- which resulted from a -- really, end
15 result of the customers either forgetting or losing their
16 PINs and us having to issue new cards, which are -- are
17 part of our costs. And where we can try and minimize
18 that and provide better service, we do so.

19 So we -- long answer, but we do have that
20 on customer's authorization.

21 MR. ALAN FORAN: And can you access those
22 cards to charge fees, for example, that might be due and
23 outstanding to Rentcash?

24 MR. GORDON REYKDAL: We have no access to
25 their cards, no.

1 MR. ALAN FORAN: On request, can a
2 customer ask you to debit their -- their card with
3 outstanding fees that might be due and owing to Rentcash?

4 MR. GORDON REYKDAL: No, that can't
5 happen, no.

6 MR. ALAN FORAN: So, no charges are ever
7 deducted from the debit card after the initial loading by
8 Rentcash if there's an outstanding amount due and owing
9 for the payday loan advance?

10 MR. GORDON REYKDAL: I'm not sure if I
11 understand your question. It seems to be a different
12 question than whether we could deduct or -- or charge
13 fees.

14 The -- the card -- the card is a -- it's
15 an Interac-based card, so it operates off the Internet --
16 Inter -- Interac network. So you have to have access to
17 the card and, you know, to access it.

18 MR. ALAN FORAN: And what I'm really just
19 trying to get to, and actually, there's -- there's no
20 trickery here.

21 But -- but if -- if Rentcash is owed money
22 by a customer, could you go to the customer and somehow
23 access a debit card to receive funds that might be owing
24 to Rentcash?

25 MR. GORDON REYKDAL: No.

1 MR. ALAN FORAN: And that doesn't happen?

2 MR. GORDON REYKDAL: No. I mean if a
3 customer reports a card stolen, they would -- Card
4 Capital would be informed, or if it's a lost, they would
5 cancel that. We would certainly reissue one at no cost
6 to the customer, but that would be at the customer's
7 initiative, not ours, so.

8 MR. ALAN FORAN: And -- and, again, this
9 is just one of those curiosity questions. But if there
10 was an outstanding balance on a debit card that was, say,
11 under twenty dollars (\$20), how would a customer access
12 that?

13 MR. GORDON REYKDAL: The customer would -
14 - can access that through any point of sale. For
15 example, any -- any store, grocery store, drug store,
16 whatever it may be. The customer can go in there and,
17 depending on what the transaction fee would be for the
18 POS -- point of sale transaction, which any retailer
19 would be able to tell a consumer -- if it's seventy-five
20 (75), eighty (80) cents, they'd be able to access that to
21 purchase anything they wanted at the store.

22 MR. ALAN FORAN: So they could use it to
23 purchase commodities but maybe not get cash? And I'll
24 tell you why I'm asking. I sort of -- when I go to a
25 bank machine for example, it spits out twenties (20s).

1 Is that your experience?

2 MR. GORDON REYKDAL: Yeah. Sometimes
3 more.

4 MR. ALAN FORAN: I -- I've got three (3)
5 kids. My lifestyle's perhaps a bit different. I stick
6 with the smaller amounts.

7 But -- so if -- but -- and that's really
8 the point of my question.

9 If you're going to an ATM or something
10 that's only distributing twenties (20s), you would not be
11 able to access the balance on your debit card if it was
12 under twenty dollars (\$20), correct?

13 MR. GORDON REYKDAL: That is correct.

14 MR. ALAN FORAN: Is there any process
15 that Rentcash has to -- to allow customers to access
16 those funds other than through an ATM?

17 MR. GORDON REYKDAL: They certainly make
18 the customer aware, if they're not already, that they can
19 go to any retailer and use the card for a point-of --
20 point-of-sale purchase, which basically they can take
21 them right down to the -- to the penny, other than what
22 the retailer would charge him for the transaction -- of
23 the cost of the transaction, which is, you know, again
24 depends on the retailer.

25 MR. ALAN FORAN: Again it might just be a

1 loose end. But one of the things I believe you indicated
2 in your evidence was that a customer could attend at a
3 Rentcash location and find out how much was left on a
4 debit card?

5 MR. GORDON REYKDAL: Yes, that's correct.
6 They can get that balance inquiry at anytime.

7 MR. ALLAN FORAN: And when we looked at
8 Exhibit D to the initial prefiled evidence, there was
9 card agreements in there, one of which was the Direct
10 Cash cash card agreement?

11 And I just noticed, when you were
12 describing to Ms. Southall some of the various charges,
13 that there is a balance inquiry fee of a dollar seventy-
14 five (\$1.75).

15 How does that work? So if somebody is
16 coming in to take a look at their credit card to see --
17 or I'm sorry, their debit card, to -- to see how much
18 money is there, are -- are they being charged a dollar
19 seventy-five (\$1.75), or not?

20 MR. GORDON REYKDAL: No. We do that
21 directly and -- and provide that free of service to our
22 customers.

23 MR. ALLAN FORAN: So how does a dollar
24 seventy-five (\$1.75) charge, under the cash card
25 agreement for a balance inquiry, work?

1 Is that as a -- would it be charged if
2 somebody did not access a Rentcash store to take a look
3 at what was outs -- the balance that was still remaining
4 on their debit card?

5 MR. GORDON REYKDAL: If they made a
6 direct inquiry with respect to their balance through
7 Direct Cash, they would be charged that monies.

8 But our customers, at the -- you know,
9 through the whole process again, very relationship-
10 orientated business, our customers, at any time, get that
11 information at free of charge from any of our outlets.

12 MR. ALLAN FORAN: I'd still like to
13 stick, actually, if I could, with this Attachment D to
14 your prefiled evidence.

15 And Attachment D had a number of
16 documents, one of which was a loan disclosure statement.

17

18 (BRIEF PAUSE)

19

20 MR. ALLAN FORAN: And the loan disclosure
21 statement does not include any card-related fees. Do you
22 see that?

23 MR. GORDON REYKDAL: Yes, I do.

24 MR. ALLAN FORAN: And so, do I understand
25 that for the purposes of this example, the customer was

1 assumed not to have opted for a debit card?

2

3 (BRIEF PAUSE)

4

5 MR. GORDON REYKDAL: Yeah, or the
6 customer would have already had a card. Correct.

7 MR. ALLAN FORAN: And I'm just looking
8 specifically at Line D.

9 MR. GORDON REYKDAL: Correct. It says
10 zero.

11 MR. ALLAN FORAN: And that -- what it
12 says is:

13 "Card fees, if applicable."

14 So in this instance, there's no card fee
15 that was applied?

16 MR. GORDON REYKDAL: That's correct. In
17 the normal -- I mean, the customer getting an initial
18 card, they would have an eight dollar (\$8) fee in that
19 category, if they indeed decided to get the card and had
20 purchased the card.

21 MR. ALLAN FORAN: But if there was a card
22 fee, then there would be the eight dollars (\$8) to
23 charge, or to obtain, the card and then a four dollar and
24 fifty cent (\$4.50) charge to load it? Is --

25 MR. GORDON REYKDAL: No. The eight

1 dollar (\$8) -- there's an eight dollar (\$8) -- and I'll
2 explain it actually. There's an eight dollar (\$8) fee to
3 purchase the card, and I just maybe want to provide a
4 little bit of clarity around that.

5 Our cost of that eight dollar (\$8) fee --
6 eight dollar (\$8) charge, pardon me. We have a three
7 dollar (\$3) hard cost, is what we actually pay to
8 purchase the card.

9 The company provides -- you know, we have
10 to inventory the cards. We have -- we replace lost and
11 stolen cards free of charge for our customers.

12 So -- which are all costs that are above
13 the three dollars (\$3) of our hard costs, and then we
14 charge eight dollars (\$8) to get that cost.

15 The additional cost going forward, there's
16 a two fifty dollar (\$2.50) load fee with respect to a
17 load transaction fee for the card.

18 And then there's a -- the additional cost
19 over and above that would relate to with -- the
20 withdrawal of the -- or an estimated number, and I -- I
21 think four fifty (4.50) may be -- you know, is an
22 example, but I mean that number could be whatever.

23 That -- monies are provided for the card
24 for the customer to -- to withdraw wherever they want,
25 and it may -- as frequently as they wish.

1 MR. ALLAN FORAN: Okay. I'd like you to
2 just move ahead a couple of pages to an optional payment
3 plan page example.

4 Do you have that in front of you?

5 MR. GORDON REYKDAL: I do.

6 MR. ALLAN FORAN: And there's a reference
7 to a receipt, and then there's a series of various
8 charges.

9 Do you see that?

10 MR. GORDON REYKDAL: Yes, I do.

11 MR. ALLAN FORAN: And the amounts here
12 are the same as on the page of the disclosure page we
13 just looked at?

14 Correct?

15 MR. GORDON REYKDAL: That's correct.

16 MR. ALLAN FORAN: And so again, this is a
17 sample loan where the customer did not opt to receive the
18 proceeds by debit card.

19 Correct?

20 MR. GORDON REYKDAL: Yeah, it could be --
21 or it could be a repeat, I guess, too. So it could be
22 the option of a -- it could be a repeat customer too.
23 Don't know that for certain.

24 MR. ALAN FORAN: Okay, but it does say
25 and this is -- this is my question. It says that a

1 certain amount, two hundred and thirteen dollars and
2 ninety-nine cents (\$213.99), was loaded onto a card,
3 right?

4 MR. GORDON REYKDAL: Correct.

5 MR. ALAN FORAN: Is that because there's
6 a default setting in your software which generates these
7 documents that assumes that a card is going to be
8 charged?

9 MR. GORDON REYKDAL: Well, the difference
10 between the two thirteen ninety-nine (213.99) and the
11 total of two fifteen (215) is the total interest of one
12 oh one (101).

13 MR. ALAN FORAN: I'm going to suggest
14 perhaps, if it's satisfactory to the Board, that we just
15 break here.

16 THE CHAIRPERSON: That is fine. So, we
17 will be back after lunch at 1:15. Thank you.

18

19 --- Upon recessing at 12:00 p.m.

20 --- Upon resuming at 1:21 p.m.

21

22 THE CHAIRPERSON: Okay, we all set to
23 begin again?

24 Mr. Foran, I believe we left off with your
25 cross-examination.

1 MR. ALAN FORAN: Yes, I had an
2 opportunity over the lunch hour to go through my notes,
3 and so I have no more further cross-examination questions
4 for this panel.

5 THE CHAIRPERSON: Thank you, sir. So,
6 Mr. Williams, it is over to you.

7 MR. BYRON WILLIAMS: Thank you. Good
8 afternoon, Mr. Chairman and members of the Board. Back
9 from the -- the illness, nigh on death, is Ms. Desorcy
10 from the Consumer's Association. So she's desperately
11 missed being at these proceedings, so I'm -- I'm glad
12 she's here to -- this afternoon.

13 Mr. Chairman, just -- I'm going to ask the
14 Board Secretary to provide three (3) documents for the --
15 that My Friend, Mr. Hacault, has kindly agreed to -- to
16 allow me to -- to put before other individuals in this
17 room.

18 So -- one of them is -- it's not a
19 transcript, but they are notes of a -- taken in terms of
20 a presentation by Mr. Reykdal in -- in New York.

21 And those actually appear on the record as
22 an attachment to the Coalition's response to PUB-B15 from
23 the first round.

24 Also being provided for the information of
25 the Board and others is a -- I'm going to phrase it as a

1 news release regarding the first quarter results of -- of
2 Rentcash in 2008.

3 And the third document is something that's
4 also referenced in the Rentcash materials. It's a --
5 it's a paper prepared by the Ministry of Government
6 Services, Policy and Consumer Protection Services
7 Division, which is referenced at Footnote 52 of the
8 Rentcash September 17th submission.

9 So Mr. Chairman, you can -- you can do
10 with them as you wish in terms of exhibit numbers. One
11 of them is already on the record. The other two (2) have
12 been referenced on the record but are -- are not formally
13 on the record anymore.

14 THE CHAIRPERSON: Well, for ease of
15 reference why don't we give them exhibit numbers. It
16 will be easier to follow later. Mr. Gaudreau...?

17 MR. BYRON WILLIAMS: I tried to trick Mr.
18 Gaudreau by making him distribute them at the same time
19 that you were trying to assign exhibit numbers, Mr.
20 Chairman.

21

22 (BRIEF PAUSE)

23

24 MR. ANTOINE HACAULT: Mr. Chairman,
25 there's something else that's been distributed, and it

1 isn't shown on the record. But we had immediately after
2 lunch distributed further responses to undertakings.

3 THE CHAIRPERSON: Yes, we are going to do
4 that as soon as I get these three (3) numbers.

5 Ms. Southall, do you have numbers for us?

6 MS. ANITA SOUTHALL: Yes, thank you. So
7 the Rentcash, the document identified at the top left
8 side as "Rentcash, Inc., with, "[bracket] (RTCAF.PK)
9 [bracket]," that would be Coalition-11.

10

11 --- EXHIBIT NO. COALITION-11:

12 Document identified at the
13 top left side as Rentcash,
14 Inc. with [RTCAF.PK]

15

16 THE CHAIRPERSON: Okay.

17 MS. ANITA SOUTHALL: The second document
18 is the document upper left-hand side, first page, "News
19 from Canada News Wire." That would be Coalition-12.

20

21 --- EXHIBIT NO. COALITION-12:

22 Document upper left hand
23 side, first page, News from
24 Canada News Wire.

25

1 MS. ANITA SOUTHALL: And the document,
2 "Ontario Government Document, Consumer Protection in the
3 Payday Lending Sector," would be Coalition-13.

4

5 --- EXHIBIT NO. COALITION-13:

6 Ontario Government Document,
7 Consumer Protection in the
8 Payday Lending Sector.

9

10 THE CHAIRPERSON: Thank you. And Mr.
11 Hacault, we have undertakings 66 and 67 here.

12 MR. ANTOINE HACAULT: That's correct, and
13 the Undertaking 67 is headed "Expanded Rentcash
14 Undertaking," because we understood from the further
15 request this morning that Ms. Southall also wanted it
16 broken down, not only in APR, but cost of credit. So
17 there are additional lines added.

18 If you look further down and compare the
19 previous undertaking distributed this morning, not only
20 do we have the APR in lines, now, 12, 14, and 16; there's
21 also an additional line which didn't exist before, which
22 is headed "Cost of Credit." And that's at lines 11, 13
23 and 15 of this document.

24 So that reflects the additional
25 information requested by Ms. Southall, I believe.

1 MS. ANITA SOUTHALL: Thank you, and for
2 the record, we are marking the document identified as
3 "Undertaking 66, Cost of Credit for Cash Store using Nova
4 Scotia Model," as RC-18.

5

6 --- EXHIBIT NO. RC-18: Document identified as
7 Undertaking 66, Cost of
8 Credit for Cash Store using
9 Nova Scotia Model.

10

11 MS. ANITA SOUTHALL: And the expanded
12 Rentcash Undertaking 67, just referenced by Mr. Hacault,
13 is as RC-19.

14

15 --- EXHIBIT NO. RC-19: Undertaking 67, headed
16 "Expanded Rentcash
17 Undertaking," with additional
18 lines added.

19

20 THE CHAIRPERSON: Thank you.

21 MS. ANITA SOUTHALL: Thank you.

22 THE CHAIRPERSON: And, thank you, sir.

23 Okay, Mr. Williams. The runway is clear for you.

24 MR. BYRON WILLIAMS: There's no reference
25 to a barn this -- this evening or this afternoon, Mr.

1 Chairman.

2 THE CHAIRPERSON: It is too early.

3 MR. BYRON WILLIAMS: I -- I was again
4 clear to pronounce the N. And, Mr. Reykdal, if I
5 mispronounce your name you'll -- you'll look sternly at
6 me and -- and correct me.

7 MR. GORDON REYKDAL: Pronounced Reykdal.

8 MR. BYRON WILLIAMS: Reykdal, okay, and
9 Ms. Bland, as -- as well, if I mispronounce. I'm -- I'm
10 confident I'll have more luck with your name.

11 MS. NANCY BLAND: Pretty hard to
12 mispronounce that one.

13

14 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

15 MR. BYRON WILLIAMS: And just some kind
16 of -- I'm -- I'm going to do a bit of housecleaning to
17 start with and then a few short snappers, and then we'll
18 -- we'll get to some of the documents that I provided
19 later -- or a bit later on.

20 But -- and this goes to the panel, either
21 witness. My understanding is that Rentcash submission
22 that was filed under -- on September 17th, 2007 -- the
23 big one -- was prepared under your direction and control.

24 Is that right?

25 MR. GORDON REYKDAL: That's correct.

1 MR. BYRON WILLIAMS: And while -- and
2 you're responsible for this material. While you may not
3 have memorized it, you have some -- some familiarity with
4 it at a high level.

5 Would that be fair?

6 MR. GORDON REYKDAL: That's correct.

7 MR. BYRON WILLIAMS: And the rebuttal
8 evidence filed by Rentcash on October 31st, again, it's
9 information that was prepared under your direction and
10 control and you have some familiarity with, correct?

11 MR. GORDON REYKDAL: That's correct.

12 MR. BYRON WILLIAMS: And, at the risk of
13 being a bit redundant, does the same go for the 2007
14 material from your financial statements, the -- and as
15 well as the 2006 materials filed as attachments to your
16 September 17th, 2007 Rentcash submission?

17 MR. GORDON REYKDAL: That's correct.

18 MR. BYRON WILLIAMS: And I've shared with
19 you through your counsel, just so I'm clear, a -- a
20 document that we may get to later on today. And I just
21 want to make sure that -- that it's a document you're
22 familiar with, a document provided to -- in a Roth
23 Capital Partners 19th Annual OC Conference, Orange
24 County, California, February, 2007.

25 Did you get a chance to look at that one,

1 Mr. Reykdal?

2 MR. GORDON REYKDAL: I perused that, yes,
3 I did, yes.

4 MR. BYRON WILLIAMS: And just so I'm
5 clear, that was a document prepared under your direction
6 and control?

7 MR. GORDON REYKDAL: That's correct.

8 MR. BYRON WILLIAMS: And were you, in
9 fact, the presenter in February 2007?

10 MR. GORDON REYKDAL: That's correct.

11 MR. BYRON WILLIAMS: Now, on to a few
12 short snappers, Mr. Reykdal.

13 You had a bit of a discussion with Ms.
14 Southall this morning about inflation. And would I be
15 fair in suggesting to you that on a -- a going-forward
16 basis, for the next couple of years, you see inflation as
17 an appropriate proxy for your growth and costs.

18 Would that be fair, sir?

19 MR. GORDON REYKDAL: I mean -- I -- I
20 would say the answer to that, as far as our cost
21 increase, we know that our costs are going to be
22 increasing. So if that's another measure to be viewing
23 what those costs may go up by, I think it's a form of
24 measure, but not an absolute.

25 MR. BYRON WILLIAMS: Okay. You're not

1 unhappy with using inflation as a proxy for your costs?

2 MR. GORDON REYKDAL: In general terms,
3 no.

4 MR. BYRON WILLIAMS: Now, you had a bit
5 of a discussion -- again one of my little cleaner-uppers,
6 short snappers.

7 In terms of your discussion with Mr. Foran
8 this morning on electronic fund transfers -- and you may
9 have had one with Ms. Southall as well.

10 In terms of the timing of when electronic
11 fund transfers can be delivered, how long does it take
12 currently? Or are they even -- they're not currently
13 offered by Rentcash?

14 MR. GORDON REYKDAL: They're not
15 currently offered right not. We do have the ability to
16 use them, but it's -- it's certainly been restrictive
17 with respect to the time it takes to get the customers'
18 accounts.

19 MR. BYRON WILLIAMS: And if you could
20 just remind me, just so I'm clear, in terms of the time
21 it takes to get into customers' accounts currently?

22 MR. GORDON REYKDAL: Well, currently
23 under what we've been advised by our bank, it would be a
24 three (3) day process.

25 MR. BYRON WILLIAMS: And, in the future,

1 what's your expectation in -- in terms of time?

2 Am I right in suggesting it's same-day?

3 MR. GORDON REYKDAL: Yes.

4 MR. BYRON WILLIAMS: And would that be
5 the case, for example, if I came in after 5:00 on a
6 Friday afternoon, it would still be same-day?

7 MR. GORDON REYKDAL: We're referring to
8 same-day with respect to electronic funds transfers would
9 be the same banking day. But there would be certain
10 cutoffs, and I believe the cutoff for banking
11 transactions is, I believe, is 3:00 p.m. Eastern time for
12 the cutoffs.

13 MR. BYRON WILLIAMS: And you may be more
14 familiar with banking hours than I am, so I -- I'll work
15 this through. So if I came in at Friday at 3:15, then I
16 would be looking at a fund transfer for Saturday.

17 Would that be fair, sir?

18 MR. GORDON REYKDAL: It would be --
19 again, it would be to the -- the bank -- banking -- bank
20 would have to be opened or the transaction would have to
21 occur to the banking system.

22 So if the banking system allowed it for
23 Saturday -- I'm not -- I'm not certain that they do. I
24 believe it's just regular banking hours.

25 MR. BYRON WILLIAMS: I'm a credit union

1 customer, so I -- I'm not sure if that -- that makes a
2 bit of a difference or not.

3 So let me just -- let me -- my -- my
4 question was inaccurate then. Assuming normal banking
5 hours are Monday through Friday, if I came in at 3:02 on
6 Friday afternoon, then the electronic fund transfer would
7 be available to me on Monday morning?

8 Is that right, sir?

9 MR. GORDON REYKDAL: I believe that would
10 be correct, yes, yeah.

11 MR. BYRON WILLIAMS: One of the
12 attachments to your Rentcash submission of September the
13 17th, 2007, was some financial material for -- discussing
14 your year-end results for the 2006 year.

15 Do you have that nearby, sir?

16 MR. GORDON REYKDAL: I do. I'll just
17 refer to it. One moment.

18

19 (BRIEF PAUSE)

20

21 MR. GORDON REYKDAL: Yes, I've got that.

22 MR. BYRON WILLIAMS: And it looks like
23 you have prettier colours than I do, but I'll -- I won't
24 complain too much about -- about -- perhaps I should get
25 a colour printer.

1 You -- and I'll direct you to the specific
2 pages in a -- in a couple seconds, but on at least three
3 (3) occasions in this document you talk about economies
4 of scale.

5 Does that ring a bell in terms of this
6 document?

7 MR. GORDON REYKDAL: I believe so, but
8 I'd like to see where -- where you're specifically
9 referencing, though.

10 MR. BYRON WILLIAMS: Lets start on page
11 14 then, please, if you would, and just under the table
12 that appears in the middle.

13 And, Mr. Reykdal, just to draw your
14 attention, I'll -- I'll let you read it, but it's --
15 there's a table called "Selected Annual Financial
16 Information." And under that table, the second sentence
17 towards the tail end of it, refers to economies of scale.

18 Do you see that, sir? I'll give you a
19 second to read it.

20

21 (BRIEF PAUSE)

22

23 MR. GORDON REYKDAL: Yeah, I've got that.

24 MR. BYRON WILLIAMS: Okay. Can you just
25 tell me what you mean by "economies of scale" within this

1 reference?

2 MR. GORDON REYKDAL: That would relate to
3 efficiencies that have been -- that have been created.

4 MR. BYRON WILLIAMS: Can you elaborate a
5 little bit in -- in terms of efficiencies that have been
6 created?

7 In economics, I believe there's a term,
8 "economies of scale".

9 Is that a -- a term you're familiar with?

10 MR. GORDON REYKDAL: I am, yes.

11 MR. BYRON WILLIAMS: And could you
12 elaborate on -- are you using it in the same sense?

13 MR. GORDON REYKDAL: Yes, I am.

14 MR. BYRON WILLIAMS: Now, you had a bit
15 of a discussion -- we're moving off of economies of
16 scale, probably, to those of scope, but you had a bit of
17 a discussion with Mr. Foran today about cheque cashing,
18 and -- and payday lending, and -- and if I --

19 Do you recall that discussion, sir?

20 MR. GORDON REYKDAL: Yes, I do.

21 MR. BYRON WILLIAMS: And am I correct, in
22 terms of your storefront operations, you're offering
23 cheque cashing and payday loans out of the same
24 storefront operations?

25 Is that right?

1 MR. GORDON REYKDAL: That's correct.

2 MR. BYRON WILLIAMS: So both those
3 services will be making some contribution to the rent and
4 to the utilities and et cetera, in terms of that store?

5 MR. GORDON REYKDAL: That's correct.

6 MR. BYRON WILLIAMS: And in terms of
7 cheque cashing and payday loans, those services, as well,
8 are offered by the -- the same staff.

9 Would that be fair, sir?

10 MR. GORDON REYKDAL: That's correct.

11 MR. BYRON WILLIAMS: So the -- both those
12 services would be making some contribution to the staff -
13 - to the staff expenses that you incur in -- in terms of
14 those providing those services.

15 Is that right?

16 MR. GORDON REYKDAL: That's correct.

17 MR. BYRON WILLIAMS: Now, when you're
18 looking at costing something such as a cheque cashing
19 services, do your time -- do your staff track, within the
20 course of an hour, or a day how many -- how much time
21 they're spending on cheque cashing, versus how much time
22 they're spending on payday loan services?

23 MR. GORDON REYKDAL: They don't
24 necessarily track that, no.

25 MR. BYRON WILLIAMS: So there are some

1 costs which are incurred whether you're providing cheque
2 cashing services or payday lending services, such as
3 rent, utilities, and staff time.

4 Would that be fair?

5 MR. GORDON REYKDAL: There are, correct.
6 And do you want to discuss -- elaborate that they -- the --
7 -- depending on the -- of course, the level of
8 contribution by each of the products, would actually
9 determine the allowable amount that could be -- could be
10 allocated from a cost perspective and as it relates to
11 cheque cashing, as we mentioned earlier.

12 That would be a fairly insignificant
13 number at this stage, so...

14 MR. BYRON WILLIAMS: That's a reflection
15 of your relatively low volume -- volume of cheque
16 cashing.

17 Is that right?

18 MR. GORDON REYKDAL: That's correct.

19 MR. BYRON WILLIAMS: Now you had -- again
20 we're still on my short snappers.

21 So you had a bit of a discussion, again,
22 with My Friend, Mr. Foran, in terms of -- of your --
23 within -- with reference to interrogatory -- or
24 Information Request PUB/RC1-A2H, Attachment B, which is
25 the -- the number of loans and the number of

1 transactions.

2 Do you recall that discussion?

3 MR. GORDON REYKDAL: Yes, I do.

4 MR. BYRON WILLIAMS: And I'd ask you just
5 to grab that document, if you might.

6

7 (BRIEF PAUSE)

8

9 MR. GORDON REYKDAL: I've got that.

10 MR. BYRON WILLIAMS: You're very quick.

11 I think you beat Ms. Bland to -- to the documents. We'll
12 wait until she gets there as well.

13 MR. GORDON REYKDAL: Here, Nancy, here --
14 share it.

15 MS. NANCY BLAND: I've got it. That's
16 okay.

17 MR. BYRON WILLIAMS: I can see I've
18 roused her competitive instincts. So she's turning
19 fairly rapidly to that page.

20 As I look at Attachment B, just -- there's
21 -- there's a number of headings there, going left to
22 right, "Year," "Number of Loans," "Average Loan Size,"
23 "Number of Transactions," and "Stores."

24 And I wonder if you could define for me --
25 I think I know what you mean by loans, but define for me

1 what you mean by "number of loans " versus "number of
2 transactions," if you would.

3 MR. GORDON REYKDAL: Well, the number of
4 loans are the actual number of loans that took place
5 during the period. The number of transactions relate to
6 the -- relate to the loan or the loan volume of that
7 store, so...

8 MR. BYRON WILLIAMS: Just so I'm -- I'm
9 clear, number of transactions, those -- are those related
10 to other -- other services, such as cheque cashing.

11 And that, or are they -- what do -- what
12 do you mean by number of transactions? And, that's where
13 I'm unclear.

14 I'm -- I'm assuming that number of loans
15 means the number of loans that you issued, whether they
16 were first time customers or repeat customers.

17 Is that right?

18

19 (BRIEF PAUSE)

20

21 MR. GORDON REYKDAL: It would relate to
22 the number of transactions, and I -- I -- with respect to
23 if it would include any cheque cashing, I would have to
24 confirm that number, because I'm not certain that we
25 either removed or added that number in that total number

1 of transactions.

2 That would relate to total number of
3 transactions in that -- in those -- in those stores.

4 MR. BYRON WILLIAMS: Okay, and I'm
5 probably -- I'm not as familiar with the industry
6 terminology as -- as you are, Mr. Reykdal, so this is
7 were I'm -- I'm struggling.

8 I just want you to -- when I look at
9 number of loans, I'm assuming that's the total number of
10 payday loans offered by Rentcash in a particular year
11 within Manitoba.

12 Is -- is that right, sir?

13 MR. GORDON REYKDAL: That's correct.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: And so what I'm
18 trying to get at is -- just so I understand and I'm not
19 talking at cross-purposes with you -- when I see the word
20 "number of transactions," what would be included within
21 transactions? So...?

22 MR. GORDON REYKDAL: It could relate to
23 all the transactions in the store. And I -- again we --
24 I would have to confirm it on the -- whether if -- or
25 that includes the cheque cashing transactions.

1 You know, so I'd -- I'd -- I would have to
2 actually, probably, research that to get a more defined
3 answer for you, because I just -- I -- I don't know the
4 answer to that question.

5 So I'd want to make sure that I don't
6 misrepresent what we're --

7 MR. BYRON WILLIAMS: Fair --

8 MR. GORDON REYKDAL: -- putting at the
9 table.

10 MR. BYRON WILLIAMS: -- fair enough, and
11 -- and I'll ask, perhaps, if you could undertake to
12 provide me with a definition of -- of what's included
13 within the "number of transactions." If you would, that
14 would be helpful.

15 MR. GORDON REYKDAL: Will do.

16

17 --- UNDERTAKING NO. 73: Rentcash panel to provide
18 definition of what is
19 included in "number of
20 transactions."

21

22 CONTINUED BY MR. BYRON WILLIAMS:

23 MR. BYRON WILLIAMS: Now, I'm going to
24 ask you to keep one -- you can probably stay on this page
25 for a second. You might want to have your calculator

1 nearby.

2 Ms. Bland, you were quicker in this case
3 than Mr. Reykdal in terms of getting to your calculator.

4 Am I correct -- and -- and I'm referring
5 to page 19 of your evidence. I really don't think you
6 need to flip there.

7 But am I correct in suggesting you that
8 your store hours are 9:00 a.m. to 8:00 p.m., Monday to
9 Friday, 9:00 a.m. to 5:00 p.m. on Saturdays, and 11:00
10 a.m. to 4:00 p.m. on Sundays?

11 Would that be right, sir?

12 MR. GORDON REYKDAL: That's correct.

13 MR. BYRON WILLIAMS: And that holds true
14 for all of your stores within Manitoba?

15 MR. GORDON REYKDAL: That's correct.

16 MR. BYRON WILLIAMS: And so, if I looked
17 at the number of hours that a store was open in a week, I
18 would -- for the Monday to Friday, that's eleven (11)
19 hours a day time five (5).

20 That would be fifty-five (55) hours. Does
21 that sound about right?

22 MR. GORDON REYKDAL: Yes.

23 MR. BYRON WILLIAMS: And Saturday it's
24 open from 9:00 to 5:00; by my account that's about eight
25 (8) hours.

1 Would that be right?

2 MR. GORDON REYKDAL: Correct.

3 MR. BYRON WILLIAMS: I'm doing
4 splendidly, aren't I?

5 MR. GORDON REYKDAL: Yeah, keep working
6 on it.

7 MR. BYRON WILLIAMS: If I compliment
8 myself, you can always concur if -- if you wish.

9 And Sundays it's open about five (5)
10 hours, being 11:00 a.m. to 4:00 p.m.?

11 MR. GORDON REYKDAL: Correct.

12 MR. BYRON WILLIAMS: And I know that
13 you're closed for certain days, or I'm assuming you are
14 for certain days like Christmas.

15 But let's just assume -- if I added that
16 together, I'm getting about sixty-eight (68) hours a
17 week. Would you accept that, subject to check?

18 MR. GORDON REYKDAL: That's correct, yes,
19 yeah.

20 MR. BYRON WILLIAMS: And if I multiply
21 that sixty-eight (68) hours a week by fifty-two (52)
22 weeks in a year, I'm getting about three thousand five
23 hundred and thirty-six (3,536) hours in a year.

24 Would that be right?

25 MR. GORDON REYKDAL: Correct.

1 MR. BYRON WILLIAMS: And if I multiplied
2 that three thousand five hundred and thirty-six (3,536)
3 by twenty-six (26) stores, which you had in 2007, you're
4 open, I would suggest to you, ninety-one thousand nine
5 hundred and thirty-six (91,936) hours.

6 Would that be right?

7 MR. GORDON REYKDAL: Seems accurate, yes.

8 MR. BYRON WILLIAMS: Now if I took the
9 number of loans for the 2007 year of seventy-eight
10 thousand zero nine seven (78,097) and divided that by the
11 figure of ninety-one thousand nine hundred and thirty-six
12 (91,936), would you get about point eight five (0.85)?

13 Ms. Bland, it's seventy-eight oh nine
14 seven (78,097) divided by ninety-one nine three six
15 (91,936).

16 MS. NANCY BLAND: That's correct, but I
17 just like to condition one thing. The twenty-six (26)
18 stores open in 2007 would have been -- six (6) of them
19 would have been opened during that year. So it wouldn't
20 have been open for a full year.

21 MR. BYRON WILLIAMS: So -- and that's
22 fair enough, and we'll -- we'll back up a year if need
23 be. But would it be fair to say, roughly, you're doing
24 about one (1) payday loan transaction an hour in 2007 and
25 2006?

1 MR. GORDON REYKDAL: According to the
2 table that's -- that's correct, yeah.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: And you -- you had
7 mentioned, Ms. Bland -- and I was going to follow up on
8 that later, but I might as well do it now -- because you
9 have six (6) new stores and because stores don't get to
10 maturity until three (3) or four (4) years out, you'd
11 expect the volumes in those stores to increase
12 significantly over time.

13 Is that fair?

14 MS. NANCY BLAND: That's correct.

15 MR. BYRON WILLIAMS: Now, Mr. Reykdal,
16 you can -- I have a reference in your evidence and also
17 in one of your statements, but I -- I suspect that this
18 is a statement you're -- you're familiar with, so I --
19 I'll turn you there if you wish.

20 But you -- you'd agree with me that, in
21 terms of your store, that the cost structure is
22 relatively fixed? Would that be fair?

23 MR. GORDON REYKDAL: Once the store is
24 fully established and mature, that's correct.

25 MR. BYRON WILLIAMS: And by "relatively

1 fixed," I wonder if your can elaborate on what you mean
2 by that?

3 MR. GORDON REYKDAL: With the exception
4 of any cost increases as it relates to rent. I mean,
5 your advertising, your office administration for the
6 store, your basic costs are fairly fixed with -- probably
7 the -- the largest variable being, probably, in the
8 salary and wages line. But that would be my definition
9 of "fixed costs."

10 MR. BYRON WILLIAMS: And that -- because
11 of the fact that your cost structure is relatively fixed,
12 that's what makes volume so important, because the more
13 transactions you can do, all other things being equal,
14 there's a greater contribution to your bottom line.

15 Is that fair?

16 MR. GORDON REYKDAL: Well it relates to
17 both yeah, I mean volumes and, of course, costs. I mean
18 both -- both are part of the equation.

19 MR. BYRON WILLIAMS: They are both part
20 of the equation, but to -- because your cost structure is
21 relatively fixed, a significant increase in volume
22 results in significantly increased bottom line?

23 MR. GORDON REYKDAL: That would only
24 apply if the cost stayed static as it relates to, you
25 know, one of the other variables. When you break it down

1 on per-store basis it relates to retention payments were
2 made.

3 So if there was something that was not
4 performed properly in -- in the storefront where, indeed,
5 there was a -- an increase disproportionate, it would go
6 the other way. You'd have more expenses than you would
7 have increase in revenue, reducing the bottom line.

8 So it only applies if your costs stay in
9 check.

10 MR. BYRON WILLIAMS: And -- and just, you
11 used the words "something going wrong." So assuming that
12 you're running your business efficiently, a significant
13 increase in volume given relatively fixed costs results
14 in a significant contribution to your bottom line.

15 Is that fair, sir?

16 MR. GORDON REYKDAL: All things being
17 equal, correct.

18 MR. BYRON WILLIAMS: And again, you don't
19 need to turn there, but I know Ms. Southall -- and I
20 can't even remember when she asked it, I have to be quite
21 honest, I believe it was on Thursday last -- but there
22 was a discussion on -- on rural stores.

23 And I'm just -- would I be correct in
24 suggesting you, based upon your response -- and again,
25 you don't have to turn there unless you don't trust me,

1 which that you know, you can -- you can work with that as
2 you wish, from your response to PUB/Rentcash 1-A2.

3 Would I be correct in suggesting to you
4 that there are no notable extra costs associated with
5 rural stores as compared to urban stores?

6 MR. GORDON REYKDAL: That's correct.

7 MR. BYRON WILLIAMS: And you -- you said
8 that was correct? I'm sorry, I missed that.

9 MR. GORDON REYKDAL: Yes, that's correct,
10 yeah.

11 MR. BYRON WILLIAMS: Almost done the
12 short snappers, but a few more.

13 Just in terms of your market share in
14 Manitoba -- in terms of stores, not in terms of volume --
15 would I be correct in suggesting to you that you have
16 somewhere between 30 and 40 percent of the stores in the
17 Manitoba marketplace?

18 MR. GORDON REYKDAL: I know we've
19 disclosed that information. So twenty-six (26) stores,
20 whatever that is of the total market, yeah, 40 percent or
21 thereabouts, yeah.

22 MR. BYRON WILLIAMS: I was trying to be
23 conservative. I got 39 percent, so...

24 Now based upon -- and we're almost, as I
25 said, done the short snappers.

1 Based upon your submission, page 22, lines
2 12 to 13 -- I don't think you need to turn there.

3 Your evidence, though is that you expect
4 future growth is likely to occur in Manitoba,
5 Saskatchewan, BC, and Nova Scotia.

6 Would that be right?

7 MR. GORDON REYKDAL: That's correct.

8 MR. BYRON WILLIAMS: And would I --
9 currently in Manitoba, you mentioned the six (6) new
10 stores you've added quite recently. Would I be correct
11 in suggesting to you that of your twenty-six (26) stores,
12 nine (9) of them are -- have been in operation for less
13 than three (3) years?

14 Would that be fair, sir?

15 If you're looking for a reference to it,
16 it's Coalition/Rentcash-2-5.

17

18 (BRIEF PAUSE)

19

20 MR. GORDON REYKDAL: I mean, the number
21 sounds close. We can check it if you -- if you wish to
22 confirm that. Yeah.

23 MR. BYRON WILLIAMS: If you'll accept
24 that subject to check.

25 MR. GORDON REYKDAL: Yeah. Yeah, we will

1 do.

2 MR. BYRON WILLIAMS: And my
3 understanding, and I just wanted to clear up one -- one
4 thing.

5 Based upon that response, my understanding
6 was that you had five (5) stores in operation for less
7 than twelve (12) months, and I thought I heard Ms. Bland
8 say that you might have had six (6) in operation for less
9 than -- than twelve (12) months?

10 So I just want to see, in terms of the
11 brand new ones, are there six (6) or five (5)?

12

13 (BRIEF PAUSE)

14

15 MS. NANCY BLAND: We'll have to confirm
16 that one for you.

17 MR. BYRON WILLIAMS: Yes. So if you
18 would just undertake to confirm whether it's five (5) new
19 stores less than a year or six (6), that would be
20 helpful.

21 MR. ANTOINE HACAULT: Subject to check,
22 it's six (6) stores.

23 MS. NANCY BLAND: The five (5) stores are
24 for fiscal 2008.

25 MR. BYRON WILLIAMS: So you're both

1 right?

2 MS. NANCY BLAND: Yes.

3 MR. BYRON WILLIAMS: Fair enough.

4 And Mr. Reykdal, we -- we talked about
5 this briefly before when you were very carefully placing
6 some limits to my -- my bold assertions.

7 Would it be fair to say that for your
8 typical store it takes about eight (8) months for it to
9 break even on a monthly basis? Would that be fair?

10 MR. GORDON REYKDAL: Those are our
11 estimates, correct.

12 MR. BYRON WILLIAMS: And would it -- it
13 would be fair to say -- and I -- I think we've canvassed
14 this already, but I just to make sure -- that your stores
15 tend to achieve maturity in terms of revenue at some
16 point in time beyond three (3) years?

17 Would that be fair?

18 MR. GORDON REYKDAL: That's correct.

19 MR. BYRON WILLIAMS: So if I'm comparing
20 a -- a -- the revenues of a store that's been in business
21 for one (1) year versus the revenues of a store that's
22 been in business for two (2) years, all other things
23 being equal, I would expect that two (2) year store to
24 have significantly higher revenues than the -- the one
25 (1) year store?

1 MR. GORDON REYKDAL: Correct.

2 MR. BYRON WILLIAMS: And likewise, if I'm
3 comparing a two (2) year store to a three (3) year store,
4 all other things being equal, I'd expect the three year
5 store still to have significantly higher revenues than a
6 two (2) year store?

7 MR. GORDON REYKDAL: That's correct.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Mr. Chairman, I'm
12 -- I'm going to move to the -- a couple of the exhibits I
13 -- I brought today. And I -- I fear that I have
14 neglected to give one to my clients. So if I could stand
15 down for just one second so that she can follow along
16 as...

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: And I'm going to
21 ask the -- the Rentcash panel and -- and the Board as --
22 as well, if they would, there's three (3) documents that
23 I'd like you to have nearby.

24 One is the Coalition Exhibit Number 11

25 which is the -- the notes taken of Mr. Reykdal's speech

1 and -- and question period in New York.

2 The second one is, and -- and Ms. Southall
3 went through this. I believe it's Tab 54 of her book,
4 but it's the actual PowerPoint presentation that you
5 provided.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: And -- and the third
10 just to keep nearby, although we'll come to it a bit
11 later, is Coalition Number 13, which is headed "News from
12 Canada's News Wire."

13

14 (BRIEF PAUSE)

15

16 MR. GORDON REYKDAL: I just wanted to
17 provide two (2) -- two (2) points please, just to -- just
18 to make sure it's not mistaken that these are not my
19 notes. These are notes that were taken from someone
20 there. I mean, I certainly -- I've reviewed these, and I
21 see -- anyway there's some -- may or may not have
22 captured, necessarily, all the right wording.

23 And secondly and I know we've referred to
24 the -- the Roth presentation. I think it's important to
25 point out, because there are -- this is open to the

1 public and the public has access -- access to these
2 reports and not looking at their reports in their
3 entirety would be misleading. And there is a cautionary
4 statement at the beginning of the presentation that's
5 provided for that must be read with respect to these
6 statements.

7 MR. BYRON WILLIAMS: And -- and Mr.
8 Reykdal, just so you understand the -- the notes that
9 were taken, of course, were already part of this record.
10 And so I'm certainly looking to -- to canvass this with
11 you, and if you -- because I -- I wish to understand your
12 views in -- in terms of that.

13 So I think that this is a -- will assist
14 us in making the record more clear and more fair. Okay?

15 MR. GORDON REYKDAL: No, I -- I
16 appreciate that.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: Now I just want to
21 start, in -- in terms of the actual PowerPoint
22 presentation, and you -- you did discuss with -- with Ms.
23 Southall to a certain degree, page 5, which deals with
24 growth. So I wonder if you could turn there for just one
25 second.

1 And I'll certainly try not to duplicate
2 Ms. Southall's line of questioning, but we may crossover
3 a little bit, for which I apologize in advance.

4 But Mr. Reykdal if -- if I'm reading this
5 slide correctly, in terms of brokerage operations, way
6 back
7 in this slide correctly, in terms of brokerage
8 operations, way back in 2002, you had about nineteen (19)
9 stores.

10 Is that right, sir?

11 MR. GORDON REYKDAL: That's correct.

12 MR. BYRON WILLIAMS: And by -- in 2007,
13 the number as of June 30th, 2007, was three hundred and
14 fifty-eight (358). Is that right?

15 MR. GORDON REYKDAL: That's correct.

16 MR. BYRON WILLIAMS: And it's grown just
17 a little touch since then. Is that right?

18 MR. GORDON REYKDAL: That's correct.

19 MR. BYRON WILLIAMS: And in 2007 you were
20 also named Canada's fastest growing company by Profit
21 Magazine. Is that right, sir?

22 MR. GORDON REYKDAL: That's correct.

23 MR. BYRON WILLIAMS: I want to look at
24 the 2004 year for a little bit, 2004/2005.

25 I'm correct in suggesting to you that in

1 terms of brokerage firms, you had a hundred and eight
2 (108) in 2004?

3 MR. GORDON REYKDAL: That's correct.

4 MR. BYRON WILLIAMS: And you'll agree
5 with me that you grew fairly dramatically between 2004
6 and 2005?

7 MR. GORDON REYKDAL: That's correct,
8 which included the -- an acquisition of Instaloans during
9 that period of a hundred and two (102) stores.

10 Ninety-nine (99) stores, I'm sorry.

11 MR. BYRON WILLIAMS: Yes. And we'll get
12 to that in -- in just one second.

13 So for -- be -- in that period, you grew
14 by about a hundred and sixty-nine (169) stores in total.
15 Included in there were a hundred and two (102)
16 acquisitions, including ninety-nine (99) Instaloans.

17 Is that right?

18 MR. GORDON REYKDAL: That's correct.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Now you had a chat
23 with Mr. Foran today about business models, just a brief
24 one.

25 At the time that Rentcash purchased

1 Instaloan in 2005, would it have been operating under the
2 same business model as Rent -- as the Cash Store, i.e. a
3 broker model?

4 MR. GORDON REYKDAL: They were not prior
5 to us acquiring them.

6 MR. BYRON WILLIAMS: So they were
7 operating on a bit of a different business model. Is
8 that right?

9 MR. GORDON REYKDAL: They were operating
10 as a direct lender.

11 MR. BYRON WILLIAMS: And in terms of Cash
12 Store procedures versus InstaLoan procedures back in
13 2005, would -- would you have had the same risk
14 tolerance?

15 MR. GORDON REYKDAL: I'm not sure if I
16 certainly understand your question. Is this pre-
17 acquisition, or post-acquisition?

18 MR. BYRON WILLIAMS: Pre-acquisition.

19 MR. GORDON REYKDAL: No, there would have
20 been -- I mean -- can't actually recall exactly what
21 their cri -- what their criteria was as a lender, whether
22 it would have matched what the current lenders had in
23 place at the time.

24 I -- I couldn't say that for certain.

25 MR. BYRON WILLIAMS: Are you aware

1 whether or not they had the same collection procedure?

2 MR. GORDON REYKDAL: No, I can't -- I
3 can't recall that.

4 I think they were operating under somewhat
5 of a different collection structure though.

6 MR. BYRON WILLIAMS: So if -- if I were
7 to suggest to you that prior to acquisition you -- you
8 had a -- a different broker model and a -- a somewhat
9 different collection procedure, and you may have had a
10 different risk tolerance in terms of lending, you --
11 you'd agree with me, sir?

12 MR. GORDON REYKDAL: I -- fair -- fairly
13 broadly put, yes.

14 MR. BYRON WILLIAMS: Can you indicate
15 when the InstaLoan purchase was made in 2005?

16 MR. GORDON REYKDAL: It was April 21st, I
17 believe.

18 MR. BYRON WILLIAMS: And when you're
19 introducing a new organization -- excuse me.

20 When you're introducing a significant
21 number of new stores with a somewhat different business
22 practice, would you agree with me that there are some
23 challenges in terms of merging those two (2)
24 organizations and cultures?

25 MR. GORDON REYKDAL: Significant, yes.

1 MR. BYRON WILLIAMS: I only used the word
2 "some." You used "significant," so I appreciate that,
3 sir.

4 MR. GORDON REYKDAL: Speaking from
5 experience.

6 MR. BYRON WILLIAMS: And around that same
7 time, would I be fair to suggest to you in January of
8 2005 you also introduced the no rollover policy?

9 MR. GORDON REYKDAL: That's correct.

10 MR. BYRON WILLIAMS: And if I said there
11 was some significant challenges with the no rollover
12 policy, that would be fair?

13 MR. GORDON REYKDAL: Unforseen
14 significant challenges.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: In fact, you'll
19 agree with me, when you're growing quickly and making
20 major changes, sometimes there are growing pains.

21 Is that something you agree with?

22 MR. GORDON REYKDAL: Correct.

23 MR. BYRON WILLIAMS: There's a learning
24 curve in -- involved in rapid growth, and -- and rapid
25 change?

1 MR. GORDON REYKDAL: Most certainly is.

2 MR. BYRON WILLIAMS: And over the last
3 few years, you've had rapid change and rapid growth?

4 MR. GORDON REYKDAL: Notably the last few
5 years has been slowed, but prior to that, it was -- it
6 was very rapid, yes.

7 MR. BYRON WILLIAMS: Okay. And thank you
8 for your -- your candour. I appreciate that.

9 Just turning to the notes that were taken
10 of your presentation, recognizing that these are not your
11 notes, but there -- there's someone else taking them

12 I'm going to direct your attention -- and
13 hopefully everyone has a numbered page handwritten in the
14 bottom -- to page 5, first of all.

15 Mr. Reykdal, I want to direct your
16 attention to the second paragraph -- second full
17 paragraph which starts, "So financial, sort of..."

18 Do you see that, sir?

19 MR. GORDON REYKDAL: Yes, I do.

20 MR. BYRON WILLIAMS: Okay. And I want to
21 direct your attention to the second -- excuse me, the
22 third line. And again, unless -- whether they got the
23 actual words perfect, whether they got your thoughts
24 correct, you're -- you're indicating that:

25 "The company itself, we had undergone a

1 year-long restructuring of our
2 business, and that was primarily due to
3 the reason that we took the voluntary
4 position in limiting the rollovers from
5 our product mix."

6 Do you see that, first of all, sir?

7 MR. GORDON REYKDAL: Okay, I see that,
8 yes.

9
10 (BRIEF PAUSE)

11
12 MR. GORDON REYKDAL: Maybe didn't cap --
13 the exact right -- right words. But nevertheless, I
14 think the -- the overall -- it's -- I understand what
15 it's saying and yeah.

16 MR. BYRON WILLIAMS: Yeah, and we're not
17 looking at it for its poetic impression, but we are --
18 the fact that you've been -- you were engaged in a
19 significant year-long restructuring of our business is
20 correct?

21 MR. GORDON REYKDAL: That is correct.

22 MR. BYRON WILLIAMS: Your business, not
23 our business.

24 And if I could turn your attention to the
25 top of page 6, I -- I'm going to read to you the -- the

1 first -- the first paragraph, a couple of sentences --
2 and again, I'll read them to you and you can tell me
3 whether I've read them correctly, and then secondly
4 whether they correctly reflect your sentiment.

5 Again I believe we're talking about this
6 restructuring:

7 "Central to our strategy has been to go
8 ahead of the regulators and the smaller
9 players in the marketplace to the
10 elimination of our rollovers from our
11 product mix."

12 Did I read that correctly, sir?

13 MR. GORDON REYKDAL: That's what it says,
14 yes, yeah.

15 MR. BYRON WILLIAMS: And that's a fair
16 statement of --

17 MR. GORDON REYKDAL: I don't remember
18 using the term "go ahead." I've never -- I mean, it's
19 not part of what I say.

20 But anyway, nevertheless, I think it --
21 what the sentence is -- or what it's saying anyway is
22 the, you know, you know, with respect to the elimination
23 of the rollovers from our product mixes, a point that was
24 being made so...

25 MR. BYRON WILLIAMS: Fair enough. And --

1 and the sentence I really want to focus on is the next
2 one:

3 "This has required a fundamental change
4 to our business structure and certainly
5 had a lower -- a short-term impact on
6 our revenues as we move from the
7 higher-risk model to a lower one."

8 And first of all, I'll get to the
9 questions in a second. But I read that correctly, sir?

10 MR. GORDON REYKDAL: That's correct.

11 MR. BYRON WILLIAMS: Do you agree with
12 the sentiment that this required a fundamental change to
13 our business structure?

14 MR. GORDON REYKDAL: Correct.

15 MR. BYRON WILLIAMS: And you'll agree
16 with the sentiment that it had a short term impact on
17 your revenues?

18 MR. GORDON REYKDAL: In our views,
19 correct.

20 MR. BYRON WILLIAMS: And do you agree
21 with the sentiment that your transition has been from a
22 higher risk model to a lower one?

23 MR. GORDON REYKDAL: And taking the whole
24 sentence into context, yes, that's correct, because -- as
25 it relates to rollovers and what the ultimate impact --

1 elimination of rollovers and what the ultimate impact
2 was, correct.

3 MR. BYRON WILLIAMS: And I'm going to
4 follow up on that in -- in just one second on the same
5 theme of risk -- risk tolerance.

6 I'd like you to turn to page 8 of the same
7 document. Do you want a second to -- to get that?

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: And, Mr. Reykdal, I
12 -- I just want to direct your attention, it's about in
13 the middle paragraph under the question:

14 "And why -- what were the drivers to
15 the negative comp. and that's turning
16 that around?"

17 Do you -- do you see the paragraph that
18 follows that, sir?

19 MR. GORDON REYKDAL: Yes, I do.

20 MR. BYRON WILLIAMS: And again, without -
21 - I -- I -- we've -- without dwelling on this, you'll see
22 the -- at the start of the third line, there's a
23 reference to refocusing on the overall business as a
24 result of lender's losses associated with the elimination
25 of rollovers.

1 Do you see that, sir?

2 MR. GORDON REYKDAL: Yes, I do.

3 MR. BYRON WILLIAMS: And, you know, again
4 I don't want to belabour this, but that's something that
5 you've had to do?

6 MR. GORDON REYKDAL: That's correct.

7 MR. BYRON WILLIAMS: What I want to focus
8 on is the next sentence:

9 "So we've added quite significantly to
10 our infrastructure, changing the
11 underwriting criteria with the working
12 with the lenders, all those changes
13 taking place."

14 And I want to stop there. Is it correct
15 to suggest that in the -- the unanticipated fallout from
16 the elimination of rollovers that you've required to work
17 with your -- with your lenders in terms of the
18 underwriting criteria?

19 MR. GORDON REYKDAL: It was something
20 that was addressed overall because of our -- the company
21 having to make retention payments.

22 Of course, it was in our interest to
23 ensure that all of the risks were mitigated and to ensure
24 that, you know, not only from a lender's perspective but
25 ours overall that any of the characteristics of the

1 customers that were prior rolling over loans that no
2 longer were unable to, that those characteristics were
3 identified in the underwriting process going forward to
4 help mitigate future risk.

5 MR. BYRON WILLIAMS: And just so I -- I
6 understand, because that -- that's a very helpful answer,
7 in terms of identifying those characteristics, what sort
8 of characteristics would that be, sir?

9 MR. GORDON REYKDAL: I can give one --
10 one example which would help. It would be customers
11 having potential loans, multiple loans from multiple
12 lenders. And that was incorporated into the loan
13 documentation when the application was redrafted.

14 It was -- it covered off to ensure that
15 they -- customers did identify if they had loans with
16 other particular -- with other lenders, pardon me, other
17 payday loan companies.

18 MR. BYRON WILLIAMS: So that was one way
19 that you sought to mitigate risk, was by identifying
20 whether there was multiple lenders of -- is that right,
21 sir?

22 MR. GORDON REYKDAL: Well, there was
23 quite a bit of information that was provided for and
24 reviewed by the lenders also, too, on the defaults, which
25 also we -- we also examined, because, you know, looking

1 for, again, the characteristics of people.

2 You know, why -- why were they rolling
3 over a loan? I mean, they're rolling over loan. Why
4 were they able to pay, and now what's -- and when that
5 changed, what has stopped that and what are the
6 characteristics?

7 And that was some work that was done on
8 part of our -- our analysis, but we also wanted to make
9 sure that the lenders were -- were being cognizant of
10 this, because I mean our retention payments are reflected
11 in this. So it's a part of our costs also.

12 MR. BYRON WILLIAMS: For sure. Now in --
13 in terms of changing the underwriting criteria, can you
14 give me some examples of what you -- what you mean by
15 that.

16 MR. GORDON REYKDAL: Well --

17 MR. BYRON WILLIAMS: Was that one?

18 MR. GORDON REYKDAL: -- well the lenders
19 -- the lenders themselves would have reviewed all of the
20 criteria in the -- the requirements for the customer to
21 obtain the loan, that being one of the adjustments to it.

22 There are other adjustments, but they're
23 made by, you know -- albeit how small they were or how
24 large, they were all made by the various different
25 lenders, because they all reviewed their criteria.

1 MR. BYRON WILLIAMS: So one of the -- the
2 consequences was that the lenders changed their
3 underwriting criteria, whether large or small?

4 MR. GORDON REYKDAL: That's correct.

5 MR. BYRON WILLIAMS: And the other change
6 --and just working off this paragraph, although I -- I
7 think it's quite common knowledge.

8 The other change you made was in your own
9 in-store operations. Is that fair, sir?

10 MR. GORDON REYKDAL: That's correct.

11 MR. BYRON WILLIAMS: And, again I -- I'm
12 going off of memory here, but I see you institute --
13 you've got a audit department now. That's one of the
14 changes that you made?

15 MR. GORDON REYKDAL: That's correct.

16 MR. BYRON WILLIAMS: You've made a
17 significant increase in the past year so -- including --
18 in -- in training and development. Is that fair?

19 MR. GORDON REYKDAL: That's correct.

20 MR. BYRON WILLIAMS: And you've added a
21 collections department?

22 MR. GORDON REYKDAL: That's correct.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: And just to move up
2 one paragraph from the -- the one that we were talking
3 about.

4 Now -- you -- I don't know how closely
5 you've been following the transcript, but there's been a
6 lot of talk about apples and bananas. And so when you
7 made an apples to oranges comparison, I had to follow up
8 on that, Mr. Reykdal.

9 If you go up the paragraph above, I'd ask
10 you just to read the question and -- and the answer, and
11 then I'll -- I'll give you a couple of seconds to read
12 that. Then I'll ask you a question if you would.

13 MR. GORDON REYKDAL: Okay, the question
14 is it's really hard to think about growth --

15 MR. BYRON WILLIAMS: Yeah, you don't need
16 to read it on the record --

17 MR. GORDON REYKDAL: Oh.

18 MR. BYRON WILLIAMS: -- you could just
19 read it to yourself if you...

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: I know you're a
24 quick reader, Mr. Reykdal, so if I can summarize what I
25 interpreted this to mean, your message to the -- the

1 person asking the question was, "We've made a fundamental
2 change in our business in terms of how we deal with our
3 business practices as well as our lenders' underwriting
4 criteria, so it's unfair to look at us a year ago as
5 compared today, because that would be an oranges to
6 apples comparison."

7 Would that be fair?

8 MR. GORDON REYKDAL: That's fair.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Would it be, say --
13 fair to say, Mr. Reykdal, in -- in terms of the brokerage
14 operations one of the other changes you've made in the
15 last year is to close some inefficient stores?

16 MR. GORDON REYKDAL: That's correct.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: And by "inefficient"
21 in looking at stores, what are the -- kind of the
22 characteristics that suggest to you that they're not
23 operating efficiently?

24 MR. GORDON REYKDAL: Not making money.

25 MR. BYRON WILLIAMS: And in terms of your

1 analysis was it -- in terms of those not making money,
2 were they in too close proximity to other Rentcash
3 operations?

4 Do you have some insight into kind of
5 common characteristics?

6 MR. GORDON REYKDAL: Which is -- common
7 characteristics, I mean, they were varying stores dating
8 and ranging from varying -- varying vintage of stores
9 also, too.

10 We've closed stores that have been four
11 (4) years old versus stores that have not been able to
12 achieve profitability from the outset.

13 So it's been a combination and there would
14 be a varying number of reasons behind that. But the --
15 at the end of the day it goes down to if it's not making
16 money, it's not doing us any good.

17 MR. BYRON WILLIAMS: And in the fiscal
18 year of 2007 you opened twenty-seven (27) but closed
19 seven (7). Would that be fair, subject to check?

20 MR. GORDON REYKDAL: That's correct.

21 MR. BYRON WILLIAMS: Now, would I also be
22 fair in -- in suggesting to you -- and -- and I'm doing
23 this based upon looking at your fourth quarter results as
24 well as your first quarter results from 2008 -- that
25 you're starting to see the impact of your changes

1 reflected in your -- your bottom line -- in a more
2 favourable bottom line?

3 MR. GORDON REYKDAL: In a more
4 favourable, yes.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: And you've -- just
9 in a general sense, those more favourable results were
10 first reflected in the last quarter of 2007, but they're
11 also reflected, perhaps, more strongly in the first
12 quarter of 2008.

13 Would that be fair?

14 MR. GORDON REYKDAL: That's fair, yes,
15 correct.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: I'd like to do --
20 staying with both the PowerPoint presentation and
21 someone's notes who, if they might not have got you
22 poetically, still seem to generally reflect your tone.

23 I'd ask you to turn to page 14 of the
24 PowerPoint presentation.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: And we'll just keep
4 that there, because I'll come to it in just a second.
5 But also in terms of your -- your -- the -- the notes of
6 your -- that someone else took of your speech, page 2.

7

8 (BRIEF PAUSE)

9

10 MR. BYRON WILLIAMS: Mr. Reykdal, just at
11 -- at the last line or two of the second last paragraph,
12 you're indicating that you have -- that Rentcash has a
13 very solid footprint in the overall Canadian marketplace
14 with -- with significant room to expand. Is that fair,
15 sir?

16 MR. GORDON REYKDAL: That's correct.

17 MR. BYRON WILLIAMS: And what I'm going
18 to try and do in the -- just in the next couple of
19 seconds is when I looked at why -- why you looked to
20 significant room to expand -- and I guess I'll refer you
21 to page 4 of your speech for a second.

22 One of the points you're making -- and I'm
23 starting with the -- the paragraph at the top of page 4.
24 One of the points you're making in terms of your room to
25 expand is that your stores are not yet mature, that

1 there's -- there's significant room for in-store growth.

2 Is that right, sir?

3 MR. GORDON REYKDAL: That's correct.

4 MR. BYRON WILLIAMS: And across Canada,
5 about half your stores are less than three (3) years old,
6 correct?

7 MR. GORDON REYKDAL: At the date of the
8 presentation that's correct.

9 MR. BYRON WILLIAMS: And in Manitoba
10 about nine (9) of the twenty-six (26) are less than three
11 (3) years -- three (3) years old?

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: Subject to check.

16 MR. GORDON REYKDAL: Subject to check,
17 yes.

18 MR. BYRON WILLIAMS: RC/Coalition-2-5.

19 And -- and five (5) or six (6) of them are
20 less than a year old?

21 MR. GORDON REYKDAL: Yeah, it would be,
22 yeah, five (5) for this fiscal year and six (6) for the
23 prior.

24

25 (BRIEF PAUSE)

1 MR. BYRON WILLIAMS: Moving down on this
2 page, apart from the potential within your stores -- I
3 see Ms. Bland has a note for me.

4 MR. GORDON REYKDAL: We -- we have, let's
5 see, there's three are more -- three (3) are more than
6 twenty-four (24) months, but less than --

7 MS. NANCY BLAND: Nine (9).

8 MR. GORDON REYKDAL: -- thirty-six (36),
9 yeah, so it's nine (9) in total, correct. Yes. Yeah.

10 MR. BYRON WILLIAMS: So there's nine (9)
11 of the twenty-six (26) that are less than three (3)
12 years?

13 MR. GORDON REYKDAL: Yeah.

14 MR. BYRON WILLIAMS: Thank you for that.

15 Moving down to page 4, just moving down
16 another four (4) paragraphs to the paragraph starting,
17 "The Canadian marketplace," apart from the room to grow
18 within your own stores, you've also indicated that in
19 your view there's room within the Canadian marketplace to
20 grow, in that it's not as saturated as the American
21 marketplace?

22 Would that be fair?

23 MR. GORDON REYKDAL: That's correct.

24

25 (BRIEF PAUSE)

1 MR. BYRON WILLIAMS: And I wanted to ask
2 you to turn to page 6 of your evidence, because there's
3 one other factor of growth that I believe you cite here.
4 So -- not your -- excuse me Mr. Reykdal, page 6 of the
5 notes that were taken.

6 And if you'll go to the -- about a bit
7 over halfway down, just three (3) paragraphs above the Q
8 and A:

9 "We anticipate..."

10 I'm going to read to you.

11 "We anticipate volume gains on the
12 onset of the regulations and again, as
13 I mentioned, the 45 percent of the
14 smaller operators that will not be able
15 to sustain the ban on the rollovers."

16 And I guess, first of all, did I read that
17 generally correctly, and does that express your
18 sentiment, sir?

19 MR. GORDON REYKDAL: That's correct.

20 MR. BYRON WILLIAMS: So it's kind of the
21 third corner of your growth strategy, apart from in-market
22 stores and the -- the potential in the Canadian
23 marketplace.

24 The third opportunity that you articulate
25 in this speech was the -- the opportunity to take market

1 share from some operators who might struggle with -- with
2 transitioning out of a rollover environment.

3 Is that right, sir?

4 MR. GORDON REYKDAL: Yes, and putting a
5 little bit of framework around that, relating to our
6 experience and what did happen when we stopped the
7 rollovers and what the financial impact was to the
8 company, it is our view that not all operators would
9 undergo that type of financial change.

10 So that -- that's in reference to that
11 point, so -- because it was significant as -- as you
12 know, for our company.

13 MR. BYRON WILLIAMS: At the end of the
14 day you -- you think it was a good business decision
15 though, sir?

16 MR. GORDON REYKDAL: Bottom line, the way
17 I look at it, if it's good for our customers, it's good
18 for us. If it's bad for our customers, it would be bad
19 for us. So it's just as a company. So I -- I view it
20 positive overall, period.

21 MR. BYRON WILLIAMS: Now just staying on
22 page 6, we've talked about growth. I want to talk about
23 cost reductions for a couple -- couple seconds.

24 And you'll see on the third full paragraph
25 on -- on page 6, you're -- you see there that you're

1 talking about rate caps in a -- in a general sense, sir?

2 MR. GORDON REYKDAL: That's correct.

3 MR. BYRON WILLIAMS: And you also

4 indicate:

5 "We feel that we can offset..."

6 Excuse me, you indicate that:

7 "If there is downward pressure or any
8 rate compression, we feel that we can
9 offset that by the -- by the cost
10 reduction."

11 Do you see that, sir?

12 MR. GORDON REYKDAL: Yes, I do.

13 MR. BYRON WILLIAMS: And again, of
14 course, part of it would depend on -- on the rate cap.

15 But you do see some opportunities for cost
16 reduction in the new regulatory environment? Is that
17 fair, sir?

18 MR. GORDON REYKDAL: That's a
19 possibility, yes.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: And the one --
24 excuse me, Ms. Bland. If you need to talk, you just let
25 me know.

1 And I want to talk about one of those,
2 because I was quite interested in that. Staying on
3 page 6, just above the Q and A two (2) paragraphs above,
4 I'm going to read this to you in its entirety:

5 "In regulation we also anticipate will
6 enable us to reduce the cost of our
7 loans capital, either through more
8 favourable terms of our existing
9 lenders or with new ones, or by the
10 company extending its own capital."

11 Do you see that sir, and did I read that
12 correctly?

13 MR. GORDON REYKDAL: Correct, yes.

14 MR. BYRON WILLIAMS: And that's -- and
15 we'll elaborate on this in -- in just a -- in a second,
16 but that's one of the opportunities in terms of -- that
17 you see in a new regulatory environment that might not
18 have been available in the -- in the current -- in the
19 old one?

20 MR. GORDON REYKDAL: Is it possible?
21 Yes, correct.

22 MR. BYRON WILLIAMS: And staying on this
23 theme, just moving to page 8 of -- of the notes that were
24 taken of your statements, and I'll direct your attention
25 to the second last -- well, the second last question.

1 And it looks like someone's asking you if
2 you can explain why you -- you think your cost from your
3 lenders will go down. And as I understand it, your
4 thoughts were, as expressed here at least, that:

5 "The law change will allow us to
6 possibly look at even guaranteeing
7 monies or using the leveraging of
8 Rentcash balance sheet, which should
9 bring down the cost overall. It's
10 probably the bigger area where we do
11 that and/or the company could be
12 advancing its own capital and reducing
13 the costs significantly by eliminating
14 the third- party lender."

15 Did I read that correctly, first of all,
16 Mr. Reykdal?

17 MR. GORDON REYKDAL: That's correct,
18 yeah.

19 MR. BYRON WILLIAMS: And that's one of
20 the opportunities you see in this new -- a new
21 environment?

22 MR. GORDON REYKDAL: Again, is it
23 possible? Yes.

24

25 (BRIEF PAUSE)

1 MR. BYRON WILLIAMS: Staying -- in terms
2 of, now, your PowerPoint presentation, you have page 14
3 in front of you, hopefully.

4 In terms of your description of the
5 marketplace, you indicate here that 65 percent dominated
6 by major players. Is that your position, sir?

7 MR. GORDON REYKDAL: That's correct.
8 That's what we estimate, yeah.

9 MR. BYRON WILLIAMS: And by 65 percent
10 market dominated are you talking store numbers or volume?

11 MR. GORDON REYKDAL: That -- that
12 calculation was based on store numbers as being the
13 estimate.

14 MR. BYRON WILLIAMS: Would you accept
15 that as compared to the rest of the industry, the Money
16 Mart stores would tend to have higher store volumes than
17 -- than most other players in the industry?

18 MR. GORDON REYKDAL: Yes, I would.

19 MR. BYRON WILLIAMS: And in terms of your
20 place in the marketplace, in terms of store volumes,
21 where would you put Rentcash, about the same or higher on
22 average than the rest of the industry?

23 MR. GORDON REYKDAL: I would put --

24 MR. BYRON WILLIAMS: In terms of volume
25 of loans if I was in --

1 MR. GORDON REYKDAL: I would put
2 Rentcash, probably, slightly higher than, maybe, the
3 average.

4 MR. BYRON WILLIAMS: So if we were -- if
5 we were moving from store count to volume of loans, then
6 the -- the big three (3) would probably have, perhaps,
7 higher than a 65 percent of volume of loans.

8 Would that -- would you accept that given
9 Money Mart's strong position, in terms of volume of
10 loans, sir?

11 MR. GORDON REYKDAL: I -- I think it
12 would be a fair assessment, yeah. Yeah.

13 MR. BYRON WILLIAMS: Mr. Chairman, if --
14 if I might, I have one -- one document I might want to
15 distribute. It's a -- it's a small one and -- but if --
16 it might be useful to step -- sit down for just five (5)
17 minutes or ten (10) minutes. I know it's a bit early,
18 but I -- I won't be that much longer, so it might be a
19 good time.

20 THE CHAIRPERSON: That is fine. Okay.
21 We will adjourn for ten (10) minutes now.

22

23 --- Upon Recessing at 2:26 p.m.

24 --- Upon Resuming at 2:40 p.m.

25

1 THE CHAIRPERSON: Okay, Mr. Williams...?

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: I probably took a
5 longer break to -- to distribute this material than I'll
6 -- than we'll have in terms of the questions, but
7 hopefully -- just -- just one second, Mr. Chairman.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Just -- I'll have my
12 -- Ms. McCandless deliver it to the Board with your
13 permission. All it is is a three (3) page excerpt from a
14 presentation of Rentcash, as I understand it, to the
15 Orange -- in -- in Orange County, California.

16 And Mr. Hacault was -- is -- as I
17 understand, has kindly agreed to -- to allow me to do
18 that. Raising his arms in the air. I believe that's an
19 agreement, sir.

20 MR. ANTOINE HACAULT: Well, it's not
21 evidence, but if he wants to refer to it, I mean, it's
22 somebody's view of what exists elsewhere.

23 MR. BYRON WILLIAMS: No, Mr. -- Mr.
24 Hacault, you're -- you're referring to the -- I'm
25 referring to the --

1 MR. ANTOINE HACAULT: Oh, with respect
2 to --

3 MR. BYRON WILLIAMS: -- I'm referring to
4 the Rentcash.

5 MR. ANTOINE HACAULT: Yeah, this
6 particular presentation -- that's right here.

7 THE CHAIRPERSON: Okay, Mr. Williams,
8 when Mr. Gaudreau comes back, we'll give it an exhibit
9 then.

10

11 CONTINUED BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: And Mr. -- Mr.
13 Reykdal, I -- I provided to you -- with very poor
14 photocopying, I might add, my fault, no one else's -- an
15 excerpt from a -- a presentation that Rentcash and you
16 specifically made to the 19th Annual OC Conference in
17 Orange County, California, in February 2007.

18 Do you have that, sir?

19 MR. GORDON REYKDAL: Yes, I do.

20 MR. BYRON WILLIAMS: And, this document
21 looks strangely familiar. I'm -- I'm hoping -- and it --
22 it looks like the one that -- that you provided, apart
23 from the handwritten date on the right side?

24 MR. GORDON REYKDAL: We've kept with the
25 same theme, yes, correct.

1 MR. BYRON WILLIAMS: And I just want to
2 direct your attention -- again -- the -- the photocopying
3 is not very strong -- but to the page 7 of the slide and
4 the -- the slide titled "Customer Demand."

5 Do you have that, sir?

6 MR. GORDON REYKDAL: Yes, I do.

7 MR. BYRON WILLIAMS: And the first two
8 bullets I would suggest seem to cover matters that we've
9 discussed already today, that being that there's a strong
10 demand and also that while there's US similarities, there
11 is less market sat -- saturation in Canada.

12 Would that be fair, sir?

13 MR. GORDON REYKDAL: That's correct.

14 MR. BYRON WILLIAMS: I wonder if you
15 could, just at a high level, there's two (2) other points
16 that -- that were made by you in terms of customer
17 demand, repeat customers, and also household debt
18 increasing.

19 I -- I wonder if you can summarize the
20 thrust of your -- of your message in -- in California in
21 2007.

22 MR. GORDON REYKDAL: Okay, with respect
23 to repeat customers, you know, I don't have my exact --
24 but I -- what I would have -- would have been referring
25 to with respect to repeat customers is that we do have

1 repeat customers in our business.

2 And we do count on repeat customers to
3 maintain a successful business, and that we would have
4 talked about our customer service. And why we do,
5 indeed, get repeat customers in our business would have
6 been the reference around repeat customers.

7 And as far as the household debt
8 increasing, the household debt increasing, we were -- we
9 received a copy of a CIBC -- I keep referencing our --
10 our favourite bank, CIBC -- in which I mean our -- our
11 favourite bank also, but they provided a -- a report
12 talking about consumer debt in Canada and how that has
13 changed.

14 And for the first time, probably in
15 history or many years -- at least as far back as this
16 report went -- that consumers were a negative savings
17 territory.

18 And that so household debt was increasing
19 and primarily relating to other financial products and
20 services being provided to consumers, the changing in the
21 housing market where customers were able to basically
22 increase the amount borrowed against homes, being in a
23 low interest rate environment.

24 This has caused, definitely, a change in
25 the environment, and the reason it was put in -- or part

1 of this presentation, it would be likening to some what
2 was in the US, and those would have been along those
3 lines in the presentation.

4 MR. BYRON WILLIAMS: Thank you for that.
5 And just going to repeat customers again, just for a
6 second or two, let's assume that Byron Williams is a -- a
7 payday loan customer.

8 And I -- I come into Rentcash and I get
9 your -- your typical quality of service, and you charge
10 me the rates that Ms. Southall has been very forensically
11 explaining to us over the -- over the last little while.

12 Based upon the time that you spend with me
13 on that first loan taking application, if I don't come
14 back, do you make money on -- on Byron Williams, a one
15 (1) time only customer to Rentcash -- one (1) time only
16 payday loan? Assuming I pay you back.

17 MR. GORDON REYKDAL: Okay, well, our --
18 our breakdown on our overall model doesn't specifically
19 break it down on those basis, but there's certainly a
20 higher cost attached to a first-time customer.

21 There's no question about that, but not un
22 -- not unlike any -- any business in establishing a
23 customer base is important, no matter what retail
24 business you're in.

25 And that's all factored into our overall

1 business model and quite frankly, I mean that's -- that's
2 how we make money. We rely on repeat customers no
3 different than an auto dealership would or anybody else
4 in a retail business.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: Is part -- when --
9 when you look at the startup costs for a -- a new store -
10 - is part of the -- the significant costs associated with
11 that the fact that you're dealing with new customers?

12 Would -- would that suggest that you would
13 have higher costs for those stores than -- than more
14 mature stores, sir?

15 MR. GORDON REYKDAL: Well, the -- I mean
16 the -- the costs themselves, actually, for a new store
17 are -- are less than a mature store, but the -- the big
18 differences are, I mean, as we build our customer base, I
19 mean, that's really where the offset is, where our
20 revenues start increasing and surpassing the expenses and
21 we start making a profit.

22 MR. BYRON WILLIAMS: I may come back to
23 that slide in a -- in a couple of -- couple of minutes.

24 In your discussion with Ms. Southall just
25 -- we're moving to a bit of a different topic so, just so

1 I don't mislead you, sir.

2 In your discussion with Ms. Southall last
3 Thursday, you -- you chatted a little bit about the
4 American marketplace and my notes -- based on my notes
5 anyways -- you stated something to the effect that you
6 keep a close eye on the American marketplace.

7 Do you remember that, sir?

8 MR. GORDON REYKDAL: Yes, I do.

9 MR. BYRON WILLIAMS: And you described it
10 as a very competitive marketplace with close to full
11 penetration. Does that ring a bell?

12 MR. GORDON REYKDAL: That's correct, or
13 saturation, yes.

14 MR. BYRON WILLIAMS: That's probably the
15 right word. I apologize for that -- saturation.

16 And you also talked about there being a
17 lot of large organizations and dominant players. Does
18 that sound familiar as well, sir?

19 MR. GORDON REYKDAL: That's correct.

20 MR. BYRON WILLIAMS: In terms of your
21 knowledge of the American marketplace, upon which you
22 keep a -- a good eye, who -- who are some of these
23 dominant players?

24 If I suggested to you that some of them
25 are Money Mart, Ace Cash Express, American Payday

1 Advance, and Cash Stop, would that be some of the ones
2 you had in mind?

3 MR. GORDON REYKDAL: No, it would be the
4 -- the largest, which you didn't mention, is Advance
5 America. They're the largest in -- in the US.

6 MR. BYRON WILLIAMS: Apart from Advance
7 America, what are the other ones you have in mind when
8 you talk about dominant ones?

9 MR. GORDON REYKDAL: Dominant players,
10 okay, let's go through, Ace Cash Express, there's Dollar
11 Financial Corporation, which owns -- owns Money Mart.
12 There is Easy Corp, QC Holdings, First Cash Financial,
13 and those would be the -- there is Check into Cash,
14 pardon me, which is a private corporation. Those would
15 be the -- the bulk of the notable ones anyway.

16 MR. BYRON WILLIAMS: What about
17 Checksmart? Is that a big player or not really?

18 MR. GORDON REYKDAL: Don't know a lot
19 about them, no.

20 MR. BYRON WILLIAMS: If I were to look at
21 a marketplace such as, let's say, the State of Ohio,
22 would you be aware whether or not Dollar Financial Group,
23 Advance America, Easy Corp., and First Cash Advance are
24 operating in those markets?

25 MR. GORDON REYKDAL: No, I wouldn't know

1 that.

2 MR. BYRON WILLIAMS: Are you aware of
3 what the regulated rate in -- in Ohio is?

4 MR. GORDON REYKDAL: No, I don't know
5 that.

6 MR. BYRON WILLIAMS: Okay. So if I
7 suggested to you it was 5 percent plus five dollars (\$5)
8 per fifty (50) up to five hundred (500), you -- you are
9 in no position to confirm or deny it?

10 MR. GORDON REYKDAL: No, I could
11 certainly find that information out, but I don't have it,
12 though.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: I believe Coalition
17 Exhibit 12 is an Ontario document, "Consumer Protection
18 in the Payday Lending Sector." And -- and, Mr. Chairman,
19 just -- maybe I should stop here.

20 Over the break, the witnesses from
21 Rentcash had kind of told me that they had some
22 responses. And I don't know when Mr. Hacault would like
23 them to share them, but I'm -- I'm open to hear them at
24 any time.

25 MR. GORDON REYKDAL: One of them relates

1 to a question on transactions onto -- again, I can't
2 reference the -- the number, but you're looking for total
3 transactions that we referenced in one of our exhibits?

4 Yeah, that -- that includes total
5 transactions for the store. That could range from
6 Western Union cheque cashing, the loans, of course, any
7 payments, and any other services and transactions that
8 took place in that store.

9 MR. BYRON WILLIAMS: And it would include
10 the payday loans as well, sir?

11 MR. GORDON REYKDAL: Correct.

12 MR. BYRON WILLIAMS: And just so I'm
13 absolutely clear -- so if I looked at the kind of number
14 of loans that's presented on -- as Attachment B and then
15 the number of transactions, the number of loans would be
16 captured within the number of transactions?

17 MR. GORDON REYKDAL: That's correct.

18 MR. BYRON WILLIAMS: Thank you. Do you
19 have any -- anything else you want to share with me while
20 you're -- while you're at it?

21 MR. GORDON REYKDAL: There was one point,
22 I guess, maybe because -- it was with respect to the --
23 there was a question asked with respect to the -- the
24 voids or the loans rescinded in Manitoba and that we have
25 a number with respect to that as it relates to this table

1 also, too.

2 We might as well clarify that. In '07,
3 there was a total of seventy-eight thousand oh nine seven
4 (78,097) loans. Of that, a thousand eighteen (1,018)
5 were ever voided or rescinded.

6 MR. BYRON WILLIAMS: Okay. Turning to
7 the document at Coalition Number -- Exhibit Number 12,
8 "Consumer Protection and the Payday Lending Sector," do
9 you have that, Mr. Reykdal?

10 THE CHAIRPERSON: By the way, --

11 MS. ANITA SOUTHALL: Mr. Williams, --

12 THE CHAIRPERSON: -- we will just give
13 that one you passed out on Orange County, Coalition
14 Number 14.

15

16 --- EXHIBIT NO. COALITION-14:

17 Three (3) page excerpt from a
18 presentation of Rentcash in Orange
19 County, California.

20

21 MS. ANITA SOUTHALL: Pardon me, Mr.
22 Chairman, thank you for that.

23 Mr. Williams, I noted for the record that
24 the "News from Canada News Wire" document was Coalition-
25 12 and the "Consumer Protection and the Payday Lender

1 Sector" Ontario government document was Coalition-13.

2 MR. BYRON WILLIAMS: I apologize for
3 that.

4 MS. ANITA SOUTHALL: That's fine. So to
5 the extent that it was mentioned on the record in the
6 reverse order, we'll just make a note of that now. Thank
7 you.

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: You are so polite in
11 noting my screw-ups, Ms. Southall. I appreciate it.

12 The -- Mr. Reykdal, just, this document,
13 which is Coalition Exhibit Number 13, "Consumer
14 Protection and the Payday Lending Sector," you'll agree
15 with me that it's cited by Rentcash a number of times in
16 its September 17th, 2007, submission?

17 Or you'll accept that, subject to check?

18 MR. GORDON REYKDAL: Yes, I will.

19 MR. BYRON WILLIAMS: Okay. And if you're
20 looking to check up on me, which you always should sir,
21 you could probably refer to Footnotes 54, 53 and 52, just
22 if you're wanting.

23 But it's a document that, at a high level,
24 Rentcash has some familiarity with?

25 MR. GORDON REYKDAL: That's correct.

1 users of payday loans in Canada suggest
2 that many borrowers likely do not
3 understand the true cost of the loan
4 [in brackets] (37 percent believe that
5 the cost is the same or lower than
6 credit card interest)."

7 First of all, Mr. Reykdal, have you had a
8 chance to review that information provided by Environics
9 or Ipsos Reid?

10 MR. GORDON REYKDAL: I mean, I've
11 reviewed the study from Environics, yes.

12 MR. BYRON WILLIAMS: And, in -- in terms
13 of the statement made in this paper, is it one that you
14 can generally agree with? Or do you take issue with it?

15 MR. GORDON REYKDAL: Well, I guess with
16 respect to seeing 37 percent, let's see, I guess which --
17 which specific point are you making? Or just the whole -
18 - or the whole paragraph or...?

19 MR. BYRON WILLIAMS: Well --

20 MR. GORDON REYKDAL: Do you understand
21 the true costs or the 37 percent?

22 MR. BYRON WILLIAMS: Yeah.

23 MR. GORDON REYKDAL: Which one?

24 MR. BYRON WILLIAMS: Well, let's start
25 with the thirty (30) -- and that's a fair -- I pose the

1 question unfairly, sir --

2 MR. GORDON REYKDAL: Yeah.

3 MR. BYRON WILLIAMS: -- I apologize for
4 that. Do you accept that the findings were that 37
5 percent believe that the cost is the same or lower than
6 credit card interest?

7 MR. GORDON REYKDAL: I'm -- I assume the
8 -- it speaks for itself. I guess those are their answers
9 they received.

10 MR. BYRON WILLIAMS: Do you accept the
11 statement that many borrowers likely do not understand
12 the true costs of the loan?

13 MR. GORDON REYKDAL: I -- again, it would
14 be information as how it was -- how it was asked. I
15 mean, if -- not unlike myself, if someone asked me what I
16 paid for my credit card, for my cash withdrawal, what I
17 paid for it, I would have to go back and reference it.

18 If the customer didn't have the ability to
19 do so, they may not be able to properly answer that
20 question. So I -- again I don't know fully, and I'm not
21 trying to be too critical, but just -- it's my
22 understanding.

23 MR. BYRON WILLIAMS: And I -- I think
24 that's a fair answer given -- given the question, sir.

25 And you -- you can certainly refer there

1 if you -- if you wish, but you accept the statement made
2 in the rebuttal evidence of Rentcash that's substantial
3 room for confusion regarding the rates being coord --
4 that there was substantial room for confusion regarding
5 the rates being quoted in the marketplace today, the
6 Manitoba marketplace?

7 MR. GORDON REYKDAL: I agree with that.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: And again, we're --
12 we're hitting towards the end, you'll be glad to know, so
13 we'll jump around a little bit.

14 But you do have some familiarity with the
15 Manitoba marketplace at a high level, would that be fair,
16 sir --

17 MR. GORDON REYKDAL: That's correct.

18 MR. BYRON WILLIAMS: -- fair, sir? And
19 you know what you're up to, and to a certain degree you
20 know what your -- and I don't -- don't mean that in a
21 pejorative sense -- what your competitors are up to as
22 well, in terms of operating their business.

23 Would that be right, sir?

24 MR. GORDON REYKDAL: That's correct.

25 MR. BYRON WILLIAMS: Could you tell me if

1 I was looking for a payday loan on a Monday night in
2 Winnipeg at 9:15, would I be more likely to find a -- a
3 Money Mart open or a Rentcash open?

4 MR. GORDON REYKDAL: Money Mart and maybe
5 in particular locations, because I -- I like to have --
6 there's maybe one (1) or two (2) -- I think maybe only
7 actually one (1) in Winnipeg that's open twenty-four (24)
8 hours, but that would be about it.

9 MR. BYRON WILLIAMS: And Rentcash
10 wouldn't be open at that -- because your -- your hours of
11 business on Monday through Friday finish at 8:00. Is
12 that right?

13 MR. GORDON REYKDAL: That's correct.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: You had a -- a back
18 to the short snappers -- you had a bit of a discussion
19 with Mr. Foran about cheque cashing.

20 And did I hear you indicate that your
21 rates are 1.5 percent on government cheques? Is that
22 right, sir?

23 MR. GORDON REYKDAL: Not on government.
24 The government cheques are different rates attached to
25 those, but our overall cheque cashing rate in comparing

1 it to our competitors is half of what theirs is, which is
2 1.5.

3 MR. BYRON WILLIAMS: Okay, are you in the
4 business -- just so I'm clear, and -- and I think you did
5 discuss this.

6 But just so I understand, are you in the
7 business of cashing government cheques at your Rentcash
8 operations in Manitoba?

9 MR. GORDON REYKDAL: We -- we do that
10 within the prescribed guidelines that are provided for us
11 in the province. Yes, we do that.

12 MR. BYRON WILLIAMS: So you're aware of
13 the decision of the Public Utilities Board and earlier
14 this year in terms of it -- would it -- in which it sets
15 a prescribed guidelines for cheque cashing fees for
16 government cheques?

17 MR. GORDON REYKDAL: That's correct.

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: You've had a
22 thorough discussion with My Friend, Ms. Southall, about
23 your fees. So I don't want to -- I want to tiptoe over
24 those and not drag us all back through them, because it
25 was very helpful.

1 In terms of your broker fees, am I right
2 in suggesting to you that insurance, if -- if you offer -
3 - if the customer signs up for the insurance, that that's
4 not subject to the broker fees.

5 Is that right, sir?

6 MR. GORDON REYKDAL: That's correct.

7 MR. BYRON WILLIAMS: Now you've had a bit
8 of discussion with Ms. Southall this morning, and I just
9 want to -- to make sure that I -- I understand it, we
10 talked about a number of -- apart from the loans, some --
11 some other costs, such as eight dollars (\$8) for a debit
12 card.

13 You recall that, sir?

14 MR. GORDON REYKDAL: Yes, I do.

15 MR. BYRON WILLIAMS: Two fifty (2.50) in
16 terms of a -- a loading fee. You recall that?

17 MR. GORDON REYKDAL: That's correct.

18 MR. BYRON WILLIAMS: And also -- and
19 also, there was some discussion of an electronic fund
20 transfer fee, which you indicated you had used the figure
21 of two dollars (\$2), but it -- it would depend upon
22 Direct Cash's relationship with -- with other firms.

23 Is that right, sir?

24 MR. GORDON REYKDAL: Yes, and as it that
25 related to future transactions where customers could

1 utilize their card to withdraw funds would be -- that
2 would be RS -- or illustration purposes.

3 MR. BYRON WILLIAMS: And there's also,
4 just so I understand again, future transactions, if I'm -
5 - I'm happen -- I'm happening to -- to be buying
6 something from Canada Safeway there might be an
7 additional charge in that -- in that store?

8 MR. GORDON REYKDAL: Well, just to make
9 sure it's clear, with respect to the -- the charge. I
10 mean a one (1) time customer has the -- the eight dollar
11 (\$8), there's the two-fifty (2.50) to load, and then
12 depending on what the customer wants to use the card for,
13 the charges apply accordingly.

14 MR. BYRON WILLIAMS: Now, you had -- you
15 had reference in your discussion with Ms. Southall that
16 in some cases there was a higher commission? And what I
17 just want to understand, sir, is of those fees is it --
18 is it only for the -- the loading fee that -- that
19 Rentcash receives a higher commission or -- or are there
20 other aspects?

21 Do you recall that conversation first of
22 all?

23 MR. GORDON REYKDAL: I -- I do, yes. I
24 mean the -- the commissions, they do vary. To be
25 specific on any one (1) area I think that, you know, we

1 didn't provide that and I think that would be something
2 that would be outside of our agreement with -- also with
3 Direct Cash in providing that information. I don't think
4 we, you know, we're specific on that and nor can we be
5 necessarily, but I think the information we provided
6 hopefully is -- hopefully is adequate enough.

7 MR. BYRON WILLIAMS: And just so -- so
8 I'm -- I'm clear, there's -- there's two (2) possible
9 fees that Direct Cash could be charging in terms of a
10 transaction: one (1) is the loading fee and one (1) is a
11 transfer fee.

12 Is that right?

13 MR. GORDON REYKDAL: Well, no, that's not
14 correct, no.

15 MR. BYRON WILLIAMS: The higher
16 commission certainly applies to the loading fee?

17 MR. GORDON REYKDAL: Again, I don't know
18 necessarily you got that detail. I mean, I think we --
19 we hopefully covered this -- covered the answer by being
20 as -- as broa -- it's a broad answer but that's the best
21 we can do at this point.

22 MR. BYRON WILLIAMS: Mr. Chairman, if I
23 might have two (2) minutes? I just want to confer with
24 my clients for a second.

25 THE CHAIRPERSON: Okay.

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: Mr. Chairman, while
4 he is conferring, I can indicate that I'll have a couple
5 of questions on re-direct to clarify some issues that
6 were brought up in cross-examination.

7 THE CHAIRPERSON: Yes.

8 MR. ANTOINE HACAULT: Okay.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Thank you, Mr.
13 Chairman, and panel. I have no further questions.

14 THE CHAIRPERSON: Thank you, Mr.
15 Williams.

16 Mr. Hacault, you have some re-direct?

17 MR. ANTOINE HACAULT: Yes, Mr. Chairman.

18

19 RE-DIRECT-EXAMINATION BY MR. ANTOINE HACAULT:

20 MR. ANTOINE HACAULT: Mr. Reykdal, on
21 cross-examination by Anita Southall she had brought up
22 the issue of the credit card and a monthly fee of seven
23 dollars and ninety-five cents (\$7.95).

24 Now, could you clarify whether or not on
25 that MasterCard the client pays to the -- the institution

1 or to MasterCard interest, how does that institution
2 recover its administration costs, is what I'm getting at?

3 MR. GORDON REYKDAL: Okay. the -- on the
4 credit card the -- the monthly administrative charge is
5 really the only way that MasterCard recovers their cost.
6 They don't charge any interest or anything period for
7 that, so they have no other revenue source other than
8 that monthly maintenance fee that they have administered
9 on those cards and that's their only source of income off
10 that.

11 MR. ANTOINE HACAULT: So it would be
12 different than the credit card, say, that I would be used
13 to having? I'd get perhaps an annual fee but I would --
14 if I didn't pay my full balance have to pay interest and
15 that would be a manner in which that credit card company
16 could recover its administration costs.

17 Is that correct?

18 MR. GORDON REYKDAL: That's correct.

19 MR. ANTOINE HACAULT: Now, with respect
20 to the credit cards also I think you didn't expand very
21 much on that product being a standalone product, say for
22 example if somebody just has five hundred dollars (\$500)
23 cash, comes to your store and says I'm going to a
24 vacation destination, is it an option for that person to
25 pay the fee to load that five hundred dollars (\$500) on

1 this card?

2 MR. GORDON REYKDAL: Yes, it is.

3 MR. ANTOINE HACAULT: And is that a type
4 of service independent of payday loans that is provided
5 on a regular basis by your company?

6 MR. GORDON REYKDAL: Yes, it is.

7 MR. ANTOINE HACAULT: So the service is a
8 standalone service, quite independent from payday loans?

9 MR. GORDON REYKDAL: That is correct.

10 MR. ANTOINE HACAULT: Now, there was some
11 questioning with respect to Mr. Sardo's proposal on a
12 lower amount for lower salary, say, consumers.

13 Do you have any view if that amount is set
14 below your costs what that would do to that sector of the
15 consumers that normally have access to services?

16 MR. GORDON REYKDAL: It would be
17 eliminated. If we wouldn't make any money -- if the
18 product was a -- if there was a -- a cost that exceeded
19 the revenues, that product would not be offered by no
20 means.

21 MR. ANTOINE HACAULT: I guess there
22 wouldn't be anything preventing the Province from saying
23 we want to subsidize those particular loans?

24 MR. GORDON REYKDAL: We'd encourage that
25 for sure. That would -- something that could take place

1 but I highly doubt it, but I certainly would -- would
2 encourage it if that indeed could happen.

3 MR. ANTOINE HACAULT: Now, there were
4 some questions as to with requests for social insurance
5 numbers. That has become a fairly common practice now in
6 mortgage lending. They require quite a bit of
7 identification.

8 And the risk factor that the mortgage
9 companies have identified is loan fraud because you get
10 people who present themselves as being Mr. Robert and
11 there isn't sufficient identity being provided, so that
12 it's Mr. John that's getting the loan. And they have a
13 series of ID requirements which they require lawyers to
14 certify. They'll need things like social insurance
15 number, a valid driver's licence, a birth certificate.

16 Do you know whether the payday loan
17 industry has the same concerns as the mortgage lending
18 industry?

19 MR. GORDON REYKDAL: Most certainly.
20 There is a - there is a validation process through the --
21 through the social insurance number. It's a math -- a
22 calculated number that validates indeed that that social
23 insurance number is -- is correct. So that's a process
24 most certainly under risk, there, yeah.

25

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: I believe it was
4 Mr. Foran that was asking this line of questioning and it
5 related to the level of fees and the difference in the
6 proposals. And you had responded something to the effect
7 that the difference in service might be one (1) of the
8 reasons reflecting the different levels and fees.

9 Is there anything else that might cause
10 different levels of fees or is that my --

11 MR. ALLAN FORAN: Just if I could on that
12 point? I'm wondering how this is rebuttal. I -- I was
13 cross-examining. I received an answer. It's like he's
14 asking my question all over again although I think I like
15 the way I phrased it better.

16 MR. ANTOINE HACAULT: Well, Mr. Chairman,
17 it's because I believe the question on cross-examination
18 are yes or no questions. The witness was very
19 forthright; gave an answer yes or no with respect to a
20 specific response.

21 But that doesn't mean that his -- he had
22 the opportunity to complete the response and provide a
23 full answer, so I just want the witness to be able to
24 provide a full answer on that issue.

25 MR. ALLAN FORAN: Actually, on that

1 specific question, I all but bared my soul. I asked him,
2 Please explain all the differences. It was not yes or
3 no.

4 THE CHAIRPERSON: Go ahead, Mr. Hacault.

5 MR. GORDON REYKDAL: To -- to further --
6 to further define service also too, the service also
7 relates to the level of risk that's associated with the -
8 - the offering.

9 So it relates to two (2) areas, not just
10 service being broad -- in the broad text of also
11 including risk associated with that. It's a different
12 level of risk associated and tolerance levels by each
13 different various lenders, so...

14

15 (BRIEF PAUSE)

16

17 MR. ANTOINE HACAULT: In cross-
18 examination by my colleague, Byron Williams, he had used
19 the words "all other things being equal" with respect to
20 a number of questions on stores and store experience.

21 If you eliminate that qualification, do
22 some stores wrap up quite quickly and, in fact, might you
23 give an example of how quickly a store might reach a -- a
24 mature, I'm going to say, level what you might call a
25 three (3) or four (4) year level?

1 MR. GORDON REYKDAL: When they do, the
2 stores do -- do vary. I mean, our typical model has our
3 stores at a break-even on a monthly basis of the eighth
4 (8th) month of operating and on a cumulative basis about
5 a year and half of -- at -- at a break-even.

6 But the stores would vary quite -- quite a
7 bit on -- on when they'd reach that maturity level. But
8 getting into year four (4) of operating would be into
9 what we would consider our mature operations. But again,
10 they could vary.

11 We've had stores that have not been
12 profitable after a year -- year and a half, and likewise
13 we've had stores that have been into three (3) plus years
14 that have not been in that scenario, so it -- it could
15 vary based on each of the stores, and each of the
16 situations, so...

17 MR. ANTOINE HACAULT: There was also some
18 questions in that same area with respect to loan volume
19 increasing and costs essentially remaining fixed.

20 It -- can you comment at all with respect
21 to whether or not the staff variable always remains fixed
22 even though you increase the store volume? Or do you
23 have to deal with peak times and volumes?

24 MR. GORDON REYKDAL: We most certainly
25 have to deal with peak times and volumes. Our stores are

1 kept -- are staffed accordingly for -- for that. So
2 there are some variables with respect to those costs.

3 MR. ANTOINE HACAULT: Now, there were
4 also some questions referring to your presentation, with
5 respect to reducing costs. And one of the costs, I
6 think, that was identified was reduced -- or the
7 possibility of a reduced capital cost.

8 Was that -- what was the context of the
9 statements that you were making?

10 MR. GORDON REYKDAL: The context of the
11 statement that I was making related to the cost as it
12 related to the cost of capital provided for -- for the
13 loans, in which -- and to -- to put it in basic dollars,
14 for example, of a typical store which we -- we refer to
15 as a mature store doing four hundred and twenty thousand
16 dollars (\$420,000) in revenue.

17 And going back to what Assistive had
18 mentioned or -- achieving about approximately 20 percent
19 return for their shareholders, if we were to source
20 capital even at a rate of 50 percent of that -- which
21 would be, I think, a little optimistic.

22 But even if we use that for terms of
23 reference, that would have a savings of roughly eighty-
24 seven hundred and fifty dollars (\$8,750) a year for that
25 particular store.

1 And that's what I was referring to in
2 relation to cost reductions, because, you know, the light
3 bill's not going to change, the rent's not going to
4 change, the -- the staff's not going to change, nothing
5 else is going to change that operation -- in the
6 operation with only -- only as it relates to the
7 potential of this here.

8 And again, that would be using an example
9 of a 10 percent rate versus what Assistive is achieving
10 now from their end of it, which may or may not be
11 obtainable from the company's perspective, so...

12

13 (BRIEF PAUSE)

14

15 MR. ANTOINE HACAULT: Mr. Williams also
16 referred to range of fees being charged in the United
17 States per hundred dollars (\$100) borrowed.

18 Do you know whether there's a constant
19 definition of what constitutes that loan number?

20 MR. GORDON REYKDAL: No, I'm -- I don't
21 know that there's anything that would constitute that --
22 or any relevant data that measures that. And also, too,
23 it would include rollovers which again distorts numbers;
24 again part of what I had mentioned earlier. It's a very,
25 very difficult to compare. It would be in my example

1 another apples to an orange scenario instead of an apples
2 to a banana so...

3 MR. ANTOINE HACAULT: Thank you.

4

5 (NANCY BLAND AND GORDON REYKDAL STAND DOWN)

6

7 THE CHAIRPERSON: Thank you, sir.

8 Ms. Southall, maybe you could bring us up
9 to date about where we are going to go from here.

10 MS. ANITA SOUTHALL: Yes, we're finished
11 with the Rentcash general panel so thank you very much to
12 the members of Rentcash for their attendance.

13 THE CHAIRPERSON: Yes, thank you very
14 much.

15 MS. ANITA SOUTHALL: We're going to bring
16 Dr. Clinton back on -- to the stand and I anticipate
17 completing my cross-examination of him today. We will
18 expect to have him back on December 11th for the
19 remainder of his cross-examination.

20 THE CHAIRPERSON: Very good. Dr.
21 Clinton, if you wouldn't mind coming up?

22 MR. ANTOINE HACAULT: For the information
23 of the Board and other members here, Dr. Clinton had
24 undertaken to try and redo those tables and those charts
25 so he has prepared a new document which we will now

1 distribute.

2 MS. ANITA SOUTHALL: Mr. Hacault, did you
3 want to go through that before I go into my cross-
4 examination?

5 MR. ANTOINE HACAULT: With the permission
6 of -- of the Board and other members to this proceeding
7 it might be logical but I -- I don't have any --

8 MS. ANITA SOUTHALL: That's fine.

9 MR. ANTOINE HACAULT: -- necessary
10 preference on that.

11 THE CHAIRPERSON: That sounds find.

12

13 RENTCASH PANEL:

14 KEVIN CLINTON, Resumed

15

16 THE CHAIRPERSON: Okay. The new paper,
17 the Partial Equilibrium Estimate of Welfare Effective
18 Alternative Payday Loan Limits requested by PUB is
19 Rentcash Exhibit Number 20.

20

21 --- EXHIBIT NO. RC-20: Paper: Partial Equilibrium
22 Estimate of Welfare Effective
23 Alternative Payday Loan
24 Limits

25

1 THE CHAIRPERSON: Okay. As Jackie
2 Gleason once said, away we go.

3

4 CONTINUED EXAMINATION-IN-CHIEF BY MR. ANTOINE HACAULT:

5 MR. ANTOINE HACAULT: Dr. Clinton, we've
6 distributed your revised paper and marked it as RC-20.
7 Could you please explain for the benefit of those here
8 what's new in this paper or have been added to deal with
9 the requests made by Ms. Southall?

10 DR. KEVIN CLINTON: Yes, I had very
11 quickly prepared last week, or it may have been ten (10)
12 days ago -- I've been doing so many things over the past
13 months, the PUB and for Rentcash and everybody else. I'm
14 losing track of time.

15 But the -- the initial estimate that we
16 discussed when I testified on Wednesday of last week, I
17 quoted something like partial equilibrium estimate of two
18 (2) proposals, and that was just sort of a back of the
19 envelope estimate that I did very quickly using a hand
20 calculator.

21 And I was wondering if this sort of thing
22 would go over like lead balloon or whether the Board
23 would be interested in -- in this concept, which is a
24 standard concept in welfare economics. And you may
25 remember I was saying, gee it would be really nice from

1 my point of view if there were an economist somewhere on
2 the other side that would take this issue up and debate
3 it with me, because you -- you can have a debate about
4 the concept of consumer surplus and you can suddenly have
5 a debate about the way in which I applied the concept.

6 So I -- I didn't spend much time on it
7 because I wasn't sure that the Board would be that
8 interested in the concept. Well it turned out the Board
9 was interested in the -- in the concept and asked me to
10 perform two (2) other estimates based on assumptions of a
11 thirty dollar (\$30) limit and a fifteen dollar (\$15)
12 limit.

13 Now you may -- you may remember that what
14 I had done in my initial piece was just to take two (2):
15 there was my proposal and there was my version of the
16 Coalition proposal. You may remember the Coalition -- it
17 doesn't actually give a number, they give a -- a kind of
18 a sliding scale and they also mention that they're going
19 -- that in their concept they have an interest rate which
20 they call an effective annual interest rate -- and I
21 wasn't sure that -- what that was.

22 So again, for speed, in the interest of
23 speed, I took this simplest interpretation of it which is
24 simply that they meant an average percentage interest
25 rate. So I just had to divide that number by three

1 hundred and sixty-five (365), that gave me a daily rate,
2 and I came up with an approximate number of what they're
3 feeling it would be.

4 Well, this time around I've refined that,
5 since they -- Robinson in Workers Where (phonetic), has
6 defined effective interest rate as a continuously
7 compounded interest rate, I've adjusted the Coalition
8 proposal on -- to put it on an -- on a continuously
9 compounded interest basis, which, if you like, I will
10 also refer to as an effective annual rate, although that
11 is not necessarily the conventional definition.
12 Economists usually would say "continuously compounded" or
13 something like that.

14 So, the -- the numbers you are going to
15 see here, for various reasons, are going to be difficult
16 to compare with what I gave you earlier. Here's another
17 reason: In that situation since there are only two (2)
18 rates to compare, I could arbitrarily choose one (1) as
19 the baseline case and just take -- compare the other one
20 to that and show you the difference between them.

21 So I chose my case as -- as -- which is
22 nearer the situation of being a no-regulation market as
23 the base case and compared the Coalition proposal to that
24 base case. So you -- so you only have one (1) set of
25 numbers.

1 Well when you have four (4) different fee
2 rates to compare as I do now, following the suggestions
3 of the Board to explore two (2) other alternatives, it's
4 not clear which should be the base case. So -- and --
5 and I don't want to do, you know, seven (7) or eight (8)
6 pair wise comparisons.

7 So what I do is -- is choose as my base
8 case. What an economist would normally do in this
9 situation, he would start with the current market. So
10 now I take as my base case the current unregulated
11 market.

12 So if you wanted to compare my current
13 results with the results that you -- you saw last week,
14 what you have to do first of all is subtract the figures
15 I get for myself which would -- which was the base case
16 then, from the numbers under the Coalition proposal.
17 So --

18 MR. ANTOINE HACAULT: I think you're
19 losing me unless we go to a table or something.

20 DR. KEVIN CLINTON: Forget about it. I -
21 - because I want to do is go as quickly as possible to
22 the new estimates, because these to my mind supercede the
23 work that was done before.

24 All I want to say is they are consistent
25 logically and economically with those estimates, but you

1 won't necessarily come up with the same numbers, because
2 I'm using more refined assumptions, and I've already
3 mentioned a couple of the details.

4 The -- the big one, in terms of the
5 differences in assumptions that are being used is that
6 before -- again for speed and -- and simplicity all I did
7 was plunk my thirty-six dollar (\$36) limit into the
8 calculation and the twenty-one eight-five (2185) I think
9 it was something like for the Coalition -- just plunk
10 that in, as if that -- those would be the new market
11 prices. And then I went on and did it, my calculation.

12 For the current calculation, I -- I've
13 done something which is much more realistic and
14 reasonable. I haven't assumed that they will indeed be
15 the market prices. What I've assumed is that the -- the
16 fee caps, the fee limits will influence the average
17 market price. And so I do my calculations now, not just
18 plunking in a limit as if it is the market price, but I
19 calculate what I call the regulation constrained or fee
20 limit constrained market price.

21 And what that is -- is it's -- it's the
22 distribution, the frequency distribution of prices in the
23 market from the data that I've already showed you in
24 connection with my proposal for fee limits. I used that
25 same data. I convert it into a probability distribution

1 to -- to calculate a mean, okay?

2 It's a standard statistical process. In
3 fact it's -- it's a bit of a frustration sometimes for a
4 statistician or economist to listen to some of the
5 discussions we have in the Board, because we get these
6 discussions: what is better, mean, median, this, that, or
7 the other, weighted mean? The answer is from a -- from a
8 economic or a statistical point of view, it all depends
9 on the objective that you have in mind. It's not an
10 arbitrary distinction between the two (2).

11 Well, for my purposes the mean defined
12 that way is the appropriate measure, and that is the
13 normal statistical definition of the mean.

14 Normal statistical -- statistical
15 definition for the mean comes from a probability
16 distribution. It's not just a flat average of all the
17 numbers you may see in front of you. It's the numbers
18 weighted by the probability, so that's what I have.

19 If you like -- yeah, if you like you can
20 think o f i t that way. You can think of it as -- as the
21 prices weighted by the probability. Now ideally I would
22 like to have the prices weighted by the probability as it
23 -- as it comes from the volume of transactions, but we
24 don't have that data, so my probability comes out from
25 the number of firms that quote that price. I -- I think

1 that'll be clear because I spent some time talking about
2 that last week in the context of -- of my proposal for
3 the fee limit.

4 So what I do now, if you can imagine that
5 frequency distribution for prices -- what I do is -- is
6 like if -- if you imagine a big prosciutto ham, we start
7 off and it's a certain size. Well, what I do is -- is
8 say chop a piece of it off, chop a slice off, and I only
9 deal with what's left at each time. I calculate the mean
10 from that distribution which is left. So the fee limit
11 is embodied into this limit constrained mean, and that's
12 the number that I use in the calculation.

13 So again this is -- this is going to lead
14 to differences between the numbers you see now and the
15 numbers you see last week. Qualitatively by the way --
16 the same picture comes out so you don't have to worry too
17 much about it.

18 There is a consistency, but I'm just
19 warning you, you shouldn't just subtract the Clinton
20 estimates this time from the Coalition estimates and
21 expect to see the same kind of number.

22 MR. ANTOINE HACAULT: I'll confess,
23 you've totally lost me.

24 DR. KEVIN CLINTON: I haven't even
25 started.

1 MR. ANTOINE HACAULT: But where would be
2 a good place to start?

3 DR. KEVIN CLINTON: Okay.

4 MR. ANTOINE HACAULT: To try and make me
5 understand what you've said, sir.

6 DR. KEVIN CLINTON: Okay. I'm going to
7 start with the results because that's the most important
8 thing.

9 What I would like is to tell you what the
10 results are and I would like you to say thank you very
11 much, Mr. Clinton, you may go home, but I don't think I'm
12 going to get away that easily.

13 So Table 2. This -- this is it, page 3,
14 Welfare Effect of Alternative Fee Limits. This is the
15 welfare loss in millions of dollars per year.

16 I've assumed an industry size of 600
17 million. Actually nobody knows -- and this is industry
18 size in terms of sales -- nobody knows whether that's the
19 correct figure; as far as I can tell within plus or minus
20 a 150 million. This is -- this is the kind of quality of
21 data we're dealing with.

22 So you -- but you can scale my numbers up
23 or down. If you don't like my six hundred (600) any one
24 of the numbers I show you, you can apply the right factor
25 and you can get the industry as you like. But I think

1 six hundred (600) is -- is okay.

2 If anything the industry may be a little
3 smaller than that right now, but next year this will be
4 the right number so it's forward-looking.

5 MR. ANTOINE HACAULT: So do I have this
6 right at least? If the industry is 450 million or if
7 it's 750 million it still does not affect your
8 conclusion?

9 DR. KEVIN CLINTON: It doesn't, no. Just
10 look at those numbers and imagine they're scaled up or
11 down. It's not going to reverse the sign.

12

13 (BRIEF PAUSE)

14

15 DR. KEVIN CLINTON: So there in columns I
16 have the four (4) different proposals. I have Clinton
17 who is thirty-five (35) going from my fee -- current fee
18 distributions in the unregulated market and I'm adding a
19 dollar for regulatory costs; that would be direct charges
20 from the PUB plus whatever the firms had to spend for
21 compliance and -- and reporting. So this is the light
22 mode.

23 Now, PUB didn't tell me whether they
24 wanted heavy or light reporting to calculate their first
25 suggestion which was a thirty dollar (\$30) fee limit. So

1 that's close enough to mine though that I'm saying, okay,
2 you could get away with light reporting.

3 So I'm -- I'm -- so as I'm not dealing
4 with too many combinations I'm just pushing PUB-1 into
5 the light reporting category. So all the calculations
6 that I do for the PUB are going to assume -- assume that
7 the supply curve shifts by one dollar (\$1); it's the same
8 for my own. These will both shift the supply curve by
9 one dollar (\$1); that is they'll move it up by one dollar
10 (\$1).

11 Now, the next two categories I call heavy
12 reporting, and the Coalition is quite open about this.
13 They -- they have proposals that involve extensive
14 reporting duties and I've only added a dollar for that.
15 In -- in practice, the kinds of things they're suggesting
16 could easily increase -- it could easily go up to four
17 dollars (\$4) I think, but I'll keep it down to a dollar
18 just for the sake of dealing with round numbers.

19 And so PUB-2 I don't see -- which is
20 fifteen dollars (\$15); to my mind you could only come up
21 with this number, a number that low, if you envisage
22 doing really heavy due diligence on -- on the cost
23 numbers. So again I'm assuming this is a heavy reporting
24 scenario.

25 I -- I looked at these for a minute and I

1 thought, well, hang on a minute, we haven't got anything
2 here for the -- for the Association. And I -- I thought
3 why -- why can't we get something in the middle there
4 while I'm doing this, because once I've got this set up
5 on my spreadsheet, I can actually produce returns of
6 assumptions now quite easily. It was -- it was doing the
7 spreadsheet that took me all the time over the weekend,
8 but now it's working.

9 I could easily plug a number in for the --
10 the Association like the twenty-three dollars (\$23) at
11 the top there, but then I thought, Well, would that be
12 light reporting or heavy reporting? And in the end I
13 couldn't decide and I didn't do it.

14 And it struck me that the Association
15 wants to have it both ways, they got -- it seems to be an
16 incoherent suggestion because they've got this twenty --
17 twenty-three dollar (\$23) range which is pretty darn low
18 in -- to my mind, so you'd want it justified if you were
19 that low with some -- some really good price data, you
20 couldn't just -- cost data, you couldn't justify it on
21 the price data.

22 So to my mind that proposal is really --
23 would -- it would be a heavy reporting scenario. But
24 they're now offering to provide you with any numb --
25 numbers that are any better than they've got.

1 So it's almost if they would like the
2 Coalition type fee limit, because actually the -- what I
3 calculate for the Coalition fee limit is -- is in the
4 middle of the range that the Association would present,
5 but they don't fess up to the way the Coalition does and
6 say, Hey, you need to collect more data to do this
7 properly. They just say, Oh, trust us, the Gould and
8 Ernst & Young stuff is still reliable and if we update it
9 a little bit, you can go with this.

10 So I've -- I've left -- if -- if the
11 Coalition likes to employ me a few years later at the
12 time when I no longer have any contact with Rentcash,
13 I'll do this calculation for them, but at the moment I --
14 I don't see how I can honestly do it.

15 Okay. So I've identified, for the
16 purposes of my calculation, three (3) parties:
17 Consumers, taxpayers and lenders, okay? And then
18 identify another group called "households."

19 I do this because not all consumers or
20 households are payloan -- payday loan clients, and we
21 can't forget about them because if we go for say a lower
22 fee limit, this is going to have a large effect on
23 industry profits, this has an impact on their tax
24 payments. So that has to be taken up by other taxpayers.

25

1 So my consumers group plus my taxpayers
2 group makes my households group. But the households
3 actually don't enter into sort of the machinery of the
4 calculations I do. This -- this is just a number that
5 spins off. What I've done elsewhere -- and I econ --
6 economy, of course, I just add up lenders and households.

7 So the way that the calculation works out
8 and -- and this amazed me, I had to -- I spent the entire
9 Sunday morning worrying about the first figure you see on
10 the -- at the top on the left-hand side, "Clinton,
11 thirty-five (35) plus one (1)" says:

12 "The net..."

13 This is a -- these are welfare losses
14 here:

15 "The net welfare loss to consumers
16 under the Clinton proposal is minus
17 five (5)."

18 In other words, from my proposal,
19 consumers benefit. And you're remember -- you remember
20 me saying nearly as we finished last week, look, from --
21 as far as I am concerned, there's -- the key thing here
22 is what happens to consumers, plus taxpayers because as
23 an economist we're concerned about maximizing consumption
24 in the end and -- and things like firms and markets are
25 just means to that end.

1 MR. ANTOINE HACAULT: So Dr. Clinton, I'm
2 so used to seeing negative numbers being a bad thing but
3 in this table negative numbers means that you should pay
4 attention to it and there is actually a greater benefit--

5 DR. KEVIN CLINTON: Yes.

6 MR. ANTOINE HACAULT: -- if you see a
7 negative number?

8 DR. KEVIN CLINTON: Yeah.

9 MR. ANTOINE HACAULT: And if you see a
10 positive number it means stay away from that, it's not a
11 good thing.

12 DR. KEVIN CLINTON: Yeah. And the only
13 reason I presented the table in this way is that you
14 won't want to -- it's ugly to look at a table with
15 negative signs all over it. I didn't say welfare
16 benefits and then put negatives, in which case my stuff
17 wasn't showing up as a plus.

18 But you -- you see what's happening here?
19 I get -- there's a loss of consumer surplus and under all
20 scenarios there's a loss of consumer surplus and we'll
21 get to that if you'd like to see my charts later on. But
22 what's upsetting -- what's upsetting it is quite a large
23 transfer from the lenders.

24 And by the way, households also benefit
25 because the taxes lost are not -- are not that big. It -

1 - it's just one (1). By the way, all these numbers are
2 in the millions, just 1 million.

3 So the household sector of the economy as
4 a whole -- that is, the consuming sector of the economy
5 as a whole -- benefit slightly. Of course in -- in
6 context, these single-digit million numbers are -- are
7 rather tiny. In the work I usually do, they would
8 disappear in the decimal places, but, you know, we're
9 dealing with a very small industry here so...

10 MR. ANTOINE HACAULT: So could you
11 perhaps help me understand, when you say "consumer
12 surplus," what does that concept mean in the context of a
13 payday loan?

14 DR. KEVIN CLINTON: Well, I was hoping to
15 describe this later when we look at it at the -- at the
16 diagrams. Let --

17 MR. ANTOINE HACAULT: Okay, well, we can
18 do that if --

19 DR. KEVIN CLINTON: But I -- I can -- I
20 can indicate very briefly what it means. In a situation
21 where you have inelastic amount for a product, it means
22 to actually withdraw that product from -- from a
23 consumer, unit by unit. They would be prepared to pay
24 you an increasing amount, unit by unit by unit, to get
25 back to their original level of consumption.

1 And -- and you carry on that process back
2 to -- until you get to the actual constrained amount that
3 they're now being supplied relative to the original
4 unregulated market.

5 You can add up all those things until you
6 get what we call the "shadow price," and that shows you
7 the total -- it's almost like consumer value foregone.

8 If I -- if I can give you an example.
9 Suppose -- suppose you only have one (1) telephone, and
10 somebody took it away from you. You couldn't use it.
11 You may have had been paying forty dollars (\$40) a month
12 right now for telephone service.

13 But if somebody said to you then, Well,
14 what's the maximum amount you'll pay to recover that
15 service you lost? It would be a heck of a lot more than
16 forty dollars (\$40). And -- and the difference between
17 that number they cited and the forty dollars (\$40) would
18 be the consumer surplus. We subtract the forty (40),
19 because it puts you at -- you're paying that, so it's not
20 surplus. Okay?

21 And there's an exactly analogous operation
22 you can do on the producer side. In an unregulated
23 market we've got a certain price, and suppliers sell at
24 that price. Well, there are other suppliers out there
25 that can't supply that same product for the same price

1 and earn a -- a higher profit. And I gave you the
2 example of -- of Nissan -- and I forgot the name right at
3 this time -- and which makes very little money per car,
4 and Toyota, which makes thousands of dollars per car.

5 So, if you look at my supply curve, you
6 can see that in my -- my supply curve, because at a
7 certain price, you can see there are -- are firms that
8 would have been willing to supply that amount for a lower
9 price. Okay? So the -- so the area between the
10 supply curve and the -- the market price also gauges a --
11 a surplus, because in this time it's producer surplus.
12 Now, our friend, Byron Williams, likes to refer to that
13 surplus as -- as "excess profits," and he gave an example
14 of -- of that. So, if -- if you like, my "producer
15 surplus" is his "excess profits."

16 But -- but -- and here's a big difference
17 -- the definition I'm using conforms to everything we do
18 in economics and all the measurements made in economics.
19 For example the definitions that I'm using in terms of
20 value added and so on and the valuation I put on the
21 product here, which is in terms of market prices, is
22 exactly the same that Statistics Canada would use in
23 calculating national income and gross domestic product.

24 If you were to use the definition like Mr.
25 Williams would apparently prefer, where, say, you take

1 out the profits of firms that are earning more than the
2 average, you're going to lower gross domestic product by
3 about 15 percent, because returns to capital are about 30
4 percent of -- of national income in Canada. And of
5 course the --

6 THE CHAIRPERSON: If you could just give
7 us a second here.

8 DR. KEVIN CLINTON: Yeah.

9 THE CHAIRPERSON: Mr. Hacault, Dr.
10 Clinton is talking in a language that is different than
11 many of us here are used to, and I am certain he is
12 making some very relevant points, okay? But I think it
13 might be -- if it is possible, if you could work with him
14 to provide us with some evidence that is in more
15 layperson terms?

16 He is talking in the language of an
17 economist, okay, and he is describing terms that fit
18 within that particular discipline.

19 But part of the purpose of this entire
20 proceedings, of course, is to allow the general reader or
21 understander of the transcripts to understand what point
22 the expert witness is making.

23 Do you follow me?

24 MR. ANTOINE HACAULT: I understand, and I
25 guess one of the points that Dr. Clinton is making is

1 that, unfortunately, we don't have his -- and I don't
2 want to boast it -- but calibre of expertise by another
3 presenter.

4 Now, I understand fully and -- and that's
5 why I asked him the question. I said, You thoroughly
6 confused me, and perhaps what we can do is let Ms.
7 Southall cross-examine him on her points.

8 The table has now been presented, and I'll
9 work with the witness to try and make sure that he can
10 relate it to, perhaps, concrete examples and use a
11 vocabulary that might be familiar to the people in the
12 room, if that's possible.

13 THE CHAIRPERSON: Let's try that, okay?
14 We probably will not finish today, but we can get a start
15 at it, because Dr. Clinton's put a fair bit of work,
16 obviously, into this particular paper.

17 And the point he is trying to make is that
18 one (1) form of regulation that, to the layperson, may
19 appear to be most beneficial for consumers, from his
20 perspective and detailed calculations, would be the exact
21 opposite.

22 So, therefore, we have a responsibility up
23 here to understand exactly what Dr. Clinton is saying.
24 So we will try your route and see how we make out.

25 Ms. Southall...?

1 So, what we are going to do, Dr. Clinton,
2 is Ms. Southall is going to attempt, through cross-
3 examination, to draw out what we can. Now, to be fair to
4 everyone here -- we have been here since the beginning of
5 the day, and you have been sitting there patiently
6 waiting for this, so we might as well face facts that we
7 are probably not going to finish with your testimony
8 today.

9 But perhaps with Ms. Southall's help we
10 might be able to get a start. Ms. Southall...?

11

12 (BRIEF PAUSE)

13

14 MS. ANITA SOUTHALL: Yes, and just
15 drawing on your remarks, Mr. Chairman, then we will defer
16 our cross-examination on Rentcash-20, the -- the current
17 or the newest information provided by Dr. Clinton.

18 I take it that's satisfactory?

19 THE CHAIRPERSON: Yes. It will also
20 allow us a chance to study it over the period of time
21 that we now have before we come back together so we will
22 be on more equal terms when we are dealing with this.

23 MS. ANITA SOUTHALL: Thank you.

24

25 CONTINUED CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

1 MS. ANITA SOUTHALL: Dr. Clinton, could
2 you access a set of the materials, reference materials?
3 There may be some just to your left, the binder of
4 materials?

5 DR. KEVIN CLINTON: Yeah.

6 MS. ANITA SOUTHALL: Thank you. And turn
7 to Tab 46, please, which is your initial report?

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: So at Tab 46 at page
12 3 of the report?

13

14 (BRIEF PAUSE)

15

16 MS. ANITA SOUTHALL: Under Section 2,
17 "Payday Loan Market Characteristics."

18 And at line 29, you will recall, no doubt,
19 that one (1) of the characteristics you identified is
20 that payday loans are designed for sporadic use, correct?

21 DR. KEVIN CLINTON: Yes.

22 MS. ANITA SOUTHALL: Dr. Clinton, if a
23 portion of users are repeat customers with more frequent
24 than sporadic use during a year, the payday loan product
25 does not fit -- is not designed to fit that type of

1 customer, correct?

2 DR. KEVIN CLINTON: What kind of
3 frequency do you have in mind?

4 MS. ANITA SOUTHALL: Well, I -- I take
5 "sporadic" to be, for example, maybe once or twice a
6 year.

7 DR. KEVIN CLINTON: That is certainly
8 sporadic.

9 MS. ANITA SOUTHALL: So if someone is
10 accessing payday loans, for example, once a month, in my
11 hypothetical example, I will call that frequent use, so
12 twelve (12) times a year.

13 The payday loan product is not designed to
14 fit that kind of a customer?

15 DR. KEVIN CLINTON: Yeah. Now, the key
16 number -- it was not the once a month, it was the twelve
17 (12) times a year.

18 That would obviously be a frequent non-
19 sporadic user. Twice a month, who knows, because you
20 haven't defined the time frame.

21 If it -- it if was only last month, I
22 would say, Well, if a borrower took it twice in a month,
23 it could be sporadic, because if we looked at a longer
24 time frame, that might be just twice the whole year.

25 In fact, in nine (9) -- in 2005 that may

1 have just been one (1) long rolled over once, because we
2 were doing rollovers then.

3 But twelve (12) times a year would
4 obviously not be sporadic.

5 MS. ANITA SOUTHALL: Sorry. To be
6 precise, when I was going you the hypothetical I was
7 thinking on once a month over a year, so consistently
8 once --

9 DR. KEVIN CLINTON: That is not sporadic.

10 MS. ANITA SOUTHALL: That is not
11 sporadic?

12 DR. KEVIN CLINTON: Obviously not.

13 MS. ANITA SOUTHALL: And the -- and the
14 payday loan product is not designed for that kind of
15 user, correct?

16 DR. KEVIN CLINTON: It is not designed for
17 continuous use, no.

18 MS. ANITA SOUTHALL: And what about back-
19 to-back loans, even if they are only two (2) or three (3)
20 times a year?

21 In other words, you take out a loan as a
22 borrower and you immediately take out another loan on
23 your next payday, but this occurs only, perhaps, three
24 (3) or four (4) times a year?

25 DR. KEVIN CLINTON: Well -- well first of

1 all, I want to -- I haven't agreed with everything that
2 Mr. Reykdal has said that has economic content by any
3 means.

4 And it may be just a question of
5 economists and businessmen using a different language.

6 But I -- I've lost my thread. I'm sorry.
7 Can -- the question was...?

8 MS. ANITA SOUTHALL: Yeah, sorry. I was
9 posing to you yet another hypothetical --

10 DR. KEVIN CLINTON: Yeah.

11 MS. ANITA SOUTHALL: -- where, for
12 example, someone used back-to-back loans --

13 DR. KEVIN CLINTON: Oh, yeah, yeah, yeah.
14 Right, right.

15 MS. ANITA SOUTHALL: -- but -- but maybe
16 four (4) or five (5) times a year?

17 DR. KEVIN CLINTON: Yeah, yeah. May -- I
18 want to get back to where I was agreeing with Mr.
19 Reykdal. I'd much rather do that since I'm working for
20 him.

21 The -- the -- there's a -- there's a -- a
22 big distinction, especially for an economist that spent a
23 lot of time working with payment system issues in -- in
24 Ottawa.

25 There is a big distinction between a roll

1 -- a loan that is passively rolled over and a -- a loan
2 that is repaid and a new loan taken out, even on the day.

3 In fact, the way our clearings and
4 settlements -- settlement system works makes a very
5 strong distinction along those lines for inter-bank
6 payments.

7 So, I take it we're talking about a
8 situation in which an individual pays down the loan and
9 then takes out an entirely new loan on a given day, yeah.

10 MS. ANITA SOUTHALL: Yes. That was my
11 hypothetical --

12 DR. KEVIN CLINTON: No.

13 MS. ANITA SOUTHALL: -- so if that
14 happened four (4) or five (5) times a year, what I was
15 describing as back-to-back, and what -- and what -- how
16 you've interpreted it, the payday loan product, I take
17 it, is -- is also not designed to fit that kind of
18 consumer?

19 DR. KEVIN CLINTON: No, I -- I disagree.
20 And -- and again, you haven't given me a long enough time
21 frame for context.

22 Somebody that used a payday loans four (4)
23 or five (5) times in a given year, and then never did
24 take -- take a payday loan in their lives, would -- would
25 fit my definition of "sporadic use."

1 Now, you may think that's a silly example.

2 Well, it's not.

3 And I -- I can come at the question from -
4 - from different angles, and I might slip into some
5 economic jargon along the way, so forgive me if I do
6 that. But, we know from income tax data and from other
7 data that there is considerable variation in individual
8 and family incomes from -- from one (1) year to the next.

9 In fact, it happens surprisingly often
10 that people can slip out of, say, a middle income range -
11 - say, the twenty (20) and forty thousand (40,000) range
12 -- and go into a forty (40), sixty (60) thousand range,
13 in -- in -- for one (1) year, and vice versa.

14 So, in other words, there is a lot of
15 movement in recorded income, and this relates to the
16 question you're asking, because when we look just at
17 payday borrowers, we're actually looking at a biased
18 sample, not just in terms of -- of the payday borrowing,
19 but in terms of income being received.

20 And it -- in economics, what -- what or in
21 econometrics, we would cure the problem that we've been
22 confronted with and errors in variables problem. So
23 there's the piece of jargon I was warning you was coming.

24 And -- and let me try to explain it to you
25 intuitively. If an individual is going through hard

1 times or a family is going through temporary hard times,
2 there's a high probability or a higher probability than -
3 - than normal that they would take a payday loan.

4 So then you are going to see a high
5 correlation -- an evident high correlation between
6 current income and payday borrowing. And you are then
7 likely to conclude that people taking payday loans have
8 quite a bit lower income, even using the median, than the
9 rest of the population.

10 But what we really need to know, on a
11 long-run basis, are these individuals any poorer than
12 the rest of the population? And we don't have that data.
13 So it makes -- makes it very difficult to -- to correlate
14 payday borrowing with income.

15 And it -- it also -- that also has
16 implications to this question about frequency. Four (4)
17 or five (5) times in a year, if you just give me the data
18 for a year, I cannot really tell you if that is sporadic.
19 I need to look, really, at, say, four (4) or five (5)
20 years, especially as I know that somebody taking a payday
21 loan this year is very likely next year to experience an
22 increase in their income. Their "permanent income," as
23 we call it, is higher than their current income.

24 So you're not going to find it easy to pin
25 me down on a number per year, and it's not because I'm

1 being evasive, it's -- it's because that just is not
2 sufficient information to answer the question.

3 THE CHAIRPERSON: You are saying a
4 population of borrowers has not been followed through a
5 long enough successive period of time?

6 DR. KEVIN CLINTON: That would be one way
7 to look at it. Another way to -- to look at it -- yeah,
8 that is exactly -- yeah. I'll -- I'll stop there.

9 Now this -- there -- there was a study
10 which results I -- I cited to you, and it was -- it was
11 done at Dartmouth College, where they did stay with some
12 payday loan borrowers over a long period of time -- a
13 longish period of time.

14 And they did observe a higher -- they did
15 observe quite a high default rate. But they,
16 nonetheless, did find that those individuals ended up
17 better off than the people that couldn't get loans. And
18 the reason is they could do things like get their cars
19 fixed, and so that their -- their employment records were
20 better. There was less malnutrition as well.

21 And, you know, a 30 percent fee might not
22 be very high if it involves having food that you wouldn't
23 otherwise have.

24 So, I may or may not have answered your
25 question in the end. I'm not sure.

1

2 CONTINUED BY MS. ANITA SOUTHALL:

3 MS. ANITA SOUTHALL: In every case, Dr.
4 Clinton, where a payday loan borrower is choosing the
5 payday loan option, at least in the current market in
6 terms of fees that are being charged versus some other
7 source of short- term conventional credit, they are every
8 time absolutely paying more though for that loan, whether
9 they're using it sporadically or frequently.

10 Is that the case?

11 DR. KEVIN CLINTON: Anybody using a
12 payday loan has already used up their conventional
13 credit. And in any case, if -- that is if they -- the
14 ones that have it. Banks are not going to give loans for
15 -- for a hundred (\$100) dollars.

16 Another form of credit that you might use
17 is -- and it's common in Eastern Europe, actually -- is
18 simply not to pay your utility bills and -- and so on.
19 That -- that's a form of credit. But it can be as
20 expensive as payday borrowing, because you are going to
21 get NSF charges, you are going to get penalty charges
22 from the utility in some cases. You are going to ruin
23 whatever credit reputation you might have had and -- and
24 so on.

25 So, I would say in many of these

1 situations, a payday loan can turn out to be your least
2 cost alternative.

3 THE CHAIRPERSON: Your general assumption
4 then, Dr. Clinton, is that there is no other source or
5 credit that this particular borrower can access?

6 DR. KEVIN CLINTON: Well, if it's there,
7 it's -- it's going to be just as expensive, that's what
8 I'm saying.

9 And, I mean, let's get it straight. If
10 you -- if you've got any -- anything left -- left on your
11 credit card to use you're going to use it. Even if
12 you're in the red already. If -- if some of your credit
13 line is there you're going to use it rather than payday
14 loan.

15 I -- I mean, anybody with a bank account
16 these days pretty much gets a -- a credit card. In fact
17 I -- I get mailed credit cards from organizations that I
18 don't even bank with and -- and I'm sure they've chosen
19 me at -- at random. And I think we've all got them from
20 MBNA and organizations like that.

21 So pretty much everybody with a bank
22 account has a credit card, so why aren't they using their
23 credit card? I -- I can only assume they've used it up.

24 MS. ANITA SOUTHALL: I -- I actually have
25 quite a bit more to cover with Dr. Clinton, and I won't

1 be able to complete it in a few minutes time.

2 THE CHAIRPERSON: I -- I think we're back
3 on the -- on the right foot. Okay, we'll adjourn for
4 today, and we'll return with, I guess, are we going to be
5 going straight back to Dr. Clinton, when he returns?

6 MS. ANITA SOUTHALL: That's my
7 expectation. Dr. Clinton, have you had an opportunity to
8 chat about that with Rentcash counsel? Your appearance
9 next week on the 11th, is that -- are you able to re-
10 attend that day, sir?

11 DR. KEVIN CLINTON: They told me I better
12 come.

13 THE CHAIRPERSON: Sounds good. Then we
14 have a date.

15 DR. KEVIN CLINTON: Does that -- is that
16 what you mean by "consultation"?

17 MS. ANITA SOUTHALL: That's what I mean.
18 So we will return with Dr. Clinton's cross-examination at
19 the commencement on December the 11th.

20 THE CHAIRPERSON: You can be assured,
21 sir, that you won't have to wait all day. We'll be at
22 you first thing in the morning.

23 DR. KEVIN CLINTON: Okay. And in return
24 I am capable of speaking ordinary English, but I was just
25 wondering how I could get through this stuff without

1 using the shorthand jargon.

2 THE CHAIRPERSON: Don't worry about it.

3 We'll find a way. See you.

4

5 (WITNESS RETIRES)

6

7 --- Upon adjourning at 4:03 p.m.

8

9 Certified correct,

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14 _____
Wendy Warnock, Ms.

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