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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
November 13th, 2007
Pages 1 to 220

APPEARANCES

1
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12 Allan Foran) Canadian Payday Loan
13 Lucia Stuhldreier) Association
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15 Byron Williams) CAC/MSOS
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17 Nathan Slee) 310-Loan
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19 Robert Dawson) Assistive Financial
20) Corporation
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22 Steve Sardo (Np)) Cash X
23
24 Kent Taylor (np)) Progressive Insurance
25) Solutions

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4	PUB-1-1(b)	Reminder Notice	
5	PUB-2	Draft Timetable - revised July 5/07	
6	PUB-3	Rules of Practice and Procedure	
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8		held July 6, 2007	
9	PUB-5	Board Order No. 91/07 dated July	
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4		Information Requests and Cash	
5		X's Response	
6	PUB/COALITION-10A-1	Letter dated October 23, 2007	
7		from B. Willams.	
8	PUB/COALITION-10B-1 to 51	The Public Utilities	
9		Board's Information Requests and	
10		Coalition's Response	
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18	COALITION/310-5-1 to 6	Consumers' Association of	
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4		Byron Williams to The Public	
5		Utilities Board enclosing excerpt	
6		from "Research Project Plan for	
7		Ethics Review", spreadsheet and	
8		letter sent to payday lending stores	
9		on October 17, 2007 with Agreement	
10		to Waive Anonymity.	
11	COALITION/CPLA-7-1 to 9	Consumers' Association of	
12		Canada (Manitoba) Inc./Manitoba	
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8	COALITION-10	Rebuttal Evidence by Jerry Buckland,	
9		Chris Robinson, Wayne Simpson and	
10		Marilyn Brennan dated October 31,	
11		2007	
12	RC-1	Evidence of Rentcash Inc.	
13	RC/CPLA-2-1 to 16	Rentcash Inc.'s Information Requests	
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11		and Winnipeg Harvest's Response	
12	RC-8	Rebuttal Submission dated October	
13		31, 2007	
14	RC-9	Rebuttal Submission by Kevin Clinton	
15		dated October 31, 2007	
16	310-1	Evidence of 310 Loan prepared by	
17		Andrew Smyth and Nathan Slee dated	
18		September 17, 2007	
19	310/COALITION-2-1 to 37	310 Loan's Information	
20		Requests and Consumers' Association	
21		of Canada (Manitoba) Inc./Manitoba	
22		Society of Seniors and Winnipeg	
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10		and Winnipeg Harvest's Response	
11	310-5	Rebuttal evidence dated November	
12		5, 2007	
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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning everyone.
4 I'm going to call this hearing to order.

5 My name is Graham Lane. I'm the Chairman
6 of the Public Utilities Board.

7 Also on the Board's panel is Ms. Monica
8 Girouard and Ms. Susan Proven. We are assisted by Mr.
9 Gerry Gaudreau, Board Secretary and Executive Director.
10 Board counsel, Ms. Anita Southall. The Board's accounting
11 advisor, Mr. Roger Cathcart.

12 In particular, I want to acknowledge the
13 efforts of Ms. Southall and Board staff in this process to
14 date. Given the number of inquiries made and the sheer
15 volume of material, staff and Ms. Southall, and Mr.
16 Cathcart were quite tested.

17 Recent amendments to the Consumer
18 Protection Act of Manitoba provide for the establishment
19 of maximum allowable charges and fees for Payday loans
20 defined in the Act and subject to the regulations as a
21 loan of money with an initial advance of no more than
22 fifteen hundred dollars (\$1,500), and an initial term,
23 ignoring any extension or renewal that is no longer than
24 sixty-two (62) days.

25 In accordance with the legislation, the

1 Board is holding public hearings to receive submissions
2 from interested parties on these matters. Thereafter, the
3 Board will set, by Board Order, the maximum amounts which
4 may be charged for payday loans pursuant to the Board's
5 mandate.

6 The Order must and will be just and
7 reasonable in the circumstances, having regard to the
8 factors and data considered by the Board.

9 The amendments to the Consumer Protection
10 Act specifically require the Board to fix the maximum cost
11 or credit, or establish a rate, formula, or tariff for
12 determining the maximum cost to credit that may be
13 charged, required, or accepted in respect of Payday loans.

14 Fix -- b) fix the maximum amount or
15 establish a rate, formula, or tariff for determining the
16 maximum amount that may be charged, required, or accepted
17 in respect of the extension or renewal of a Payday loan,
18 or in respect of a replacement loan.

19 And c) fix the maximum amount or best
20 establish a rate, formula, or tariff for determining the
21 maximum amount that may be charged, required, or accepted
22 in respect of a default by a borrower under a payday loan.
23 The Board can and may also make recommendations to
24 government on matters in respect to payday loans and
25 payday lenders.

1 The payday loans regulation was registered
2 on July the 31st this year. It added specific definition
3 to the terms, value received and value given in the
4 determination of cost or credit for payday loans; as well,
5 set out the licensing and consumer notice conditions under
6 which payday lenders will be required to operate.

7 A notice of hearing was published in all
8 major Manitoba newspapers of the Board's plan for public
9 hearings in this matter. And the Board scheduled and held
10 public hearings in Thompson, Manitoba on November 5th and
11 Brandon on November 7th.

12 No one appeared to present in either
13 Thompson or Brandon. By contrast, requests for
14 intervention in the Winnipeg Public Hearing totalled
15 eleven (11). The Board approved all eleven (11)
16 intervention applications. At present registered -- eight
17 (8) registered Intervenor continue actively in the
18 hearing process, and we will hear from presenters later
19 today.

20 As this is new legislation and represents a
21 new mandate for the Board and since there is no applicant
22 in the proceedings, and thus no one carries an onus in the
23 proceedings, the Board will exercise some latitude with
24 respect to the application of its rules of practice to
25 ensure that all relevant evidence is presented to the

1 Board.

2 The Board's regular rules of practice,
3 which govern its hearings can be found on our website.
4 The Board thanks those Intervenorors who have participated
5 fully in the task associated with fulfilment of the pre-
6 oral hearing portion of the Winnipeg public process.

7 I will now turn to the matter of reasons
8 for the decision of the Panel made prior to this date to
9 refuse the receipt of all confidential documents,
10 information, and evidence in this proceeding. Notice of
11 the decision without reasons was circulated by Board
12 counsel to all Intervenorors on November the 8th, 2007.

13 The Board sought the position of all
14 Intervenorors on the general subject of confidential
15 filings. Certain Intervenorors indicated that some of their
16 documents or information would only be filed
17 confidentially, as the nature of which material was
18 considered by them to be generally propriety or
19 commercially sensitive.

20 Intervenorors had the opportunity to file
21 motions or provide submissions to either seek the filing
22 of confidential information or to oppose such filings.
23 The Board decided then in weighing the benefits to be
24 derived by requiring all evidence to be received on the
25 public record versus the benefits of receiving further

1 information from certain Intervenor in confidence, which
2 may lead to greater verification for Panel Members only so
3 as to inform the Board for its ultimate decision, that the
4 public interest will be best served by a public of filing
5 of all evidence to be considered.

6 A transparent process works in favour of
7 all Intervenor and the public at large and will allow all
8 interested parties, persons antici -- participating in the
9 process or simply observing it to follow this matter
10 through the evidentiary process to the ultimate findings
11 of the Board culminating in the Board's Order.

12 The Board controls its process and
13 exercises its discretion to this end. To the extent that
14 reports have been filed in supporting confidential
15 information is withheld, the Board will be required to
16 determine the relevance and weight, which may be
17 attributed to the report.

18 Such considerations will necessarily be
19 addressed in the Board's review of each particular report
20 as addressed in the hearing process. The Board's practice
21 is not to compel the production of confidential
22 information. Intervenor are participating voluntarily,
23 and Intervenor will be required to decide if any further
24 information can be shared publically to assist the Board.

25 I now call on Ms. Southall to introduce the

1 schedule of proceedings and explain the balance of today's
2 process. Ms. Southall...?

3 MS. ANITA SOUTHALL: Thank you and good
4 morning, Mr. Chairman, Board Member Girouard and Board
5 Member Proven. And to all of those present here this
6 morning. For the record my name is Anita Southall, and I
7 am counsel to the Board in this public hearing process
8 leading to a Board Order to fix the maximum cost of credit
9 for payday loans, extensions, or renewals and maximum
10 charges for loan defaults.

11 With me at counsel table is Mr. Roger
12 Cathcart. Mr. Cathcart is a chartered accountant and a
13 Board Advisor in this hearing process. As noted by the
14 Chairman in his opening remarks, there has been amendment
15 to the Consumer Protection Act of Manitoba that requires
16 the Board to fix these maximum amounts for payday loans as
17 defined in the legislation and outlined a moment ago by
18 the Chair.

19 The legislation also states that the Board
20 may by order, fix the maximums of any component of the
21 cost of credit of a Payday loan.

22 The legislation provides assistance to the
23 Board by indicating a number of factors that the Board may
24 consider in fixing the maximum cost of credit or
25 establishing a rate, formula or tariff.

1 And those factors include the operating
2 expenses and revenue requirements of payday lenders in
3 relation to their payday lending business, the terms and
4 conditions of payday loans, the circumstances of and
5 credit options available to payday loan borrowers
6 generally and the financial risks taken by payday lenders,
7 the regulation of payday lenders and payday loans in other
8 jurisdictions. Any data that the Board considers relevant
9 and any other factors that the Board considers relevant
10 and in the public interest.

11 The legislation also incorporates Part I of
12 the Public Utilities Board Act granting the powers and
13 procedure thereunder for the making of orders. The Board
14 has the power to set its own rules of practice and
15 procedure and has published its current rules adopted June
16 1, 2006 and revised March 14, 2007.

17 And as the Chair noted, those are on the
18 PUB's website. We have an established exhibit list which
19 Mr. Gaudreau to my left, maintains for the record of this
20 proceeding.

21 And I expect that we will be adding to the
22 list with the presentation of any additional exhibits as
23 the hearing proceeds. If any Intervenor has questions in
24 this regard, could you please just see Mr. Gaudreau at one
25 of our breaks if you have any questions about the way that

1 the exhibit list has been structured.

2 Please note that this hearing is being
3 transcribed. Transcripts will be available on the PUB's
4 website and again, I will suggest that you obtain details
5 from Mr. Gaudreau respecting the timing for production of
6 the transcripts.

7 We will require any speaker who is going to
8 be presenting information on the record to speak into a
9 live mic for this purpose and we will be reminded from
10 time to time if for some reason our special reporter
11 cannot hear your voice, to ensure that your mic is
12 operative, and thank you for that.

13 We have prepared a schedule of proceedings.
14 I have circulated that by email to the registered
15 Intervenors or their counsel and I also have extra copies
16 up here to my left, they're on the blue sheets in hard
17 copy so that if anybody wants a copy of the schedule of
18 proceedings, what we have currently planned for this
19 hearing process, please help yourself or take one (1) at
20 the break.

21 And I want to simply remind all Intervenors
22 that if you have questions respecting the conduct of the
23 proceedings, I am prepared to attempt to answer them for
24 you.

25 If you have questions with the process

1 while you are presenting evidence or are under cross-
2 examination, please ask either the panel members or myself
3 and we will attempt to deal with those as well.

4 Mr. Chairman, I suggest that you now turn
5 to the Intervenors for their opening comments. I note for
6 the record that there are currently eight (8) active
7 registered Intervenors and two (2) of them on the list
8 that you will see for opening comments, being Cash X and
9 Progressive Insurance Solutions, are not participating in
10 the opening comments portion of the proceeding simply due
11 to the timing of their later appearance and the cost of
12 attendance today for the limited purpose of the opening
13 comments.

14 And they have advised us in advance of the
15 start of the hearing with respect to that. So we will be
16 seeing those Intervenors presenting their evidence later
17 this week.

18 Finally, if I can be of further assistance,
19 please feel free to call on me. Thank you.

20 THE CHAIRPERSON: Thank you, Ms. Southall.
21 So we'll begin then with opening comments and we've heard
22 from Ms. Southall so we'll move on to Mr. Dawson for
23 Assistive Financial. Mr. Dawson...?

24

25 OPENING REMARKS BY ASSISTIVE FINANCIAL:

1 MR. ROBERT DAWSON: Good morning, Mr.
2 Chairman, Members of the Board. I appear on behalf of
3 Assistive Financial Corporation, an Intervenor in these
4 proceedings. Seated next to me is the President of
5 Assistive Financial, Mr. Randy Schiffner who will be
6 available for evidence in just a few moments.

7 We are ready to proceed and I have the
8 following opening comments if I may. First, it seems
9 almost by an accident of the alphabet that Assistive
10 Financial should be first up, even though in many ways,
11 Assistive Financial is not a big name in these particular
12 hearings.

13 Unlike many of the other Intervenors,
14 Assistive Financial does not operate storefront operations
15 or a website where consumers can obtain loans. Unlike
16 other individuals, Assistive Financial does not do
17 anything more than really make a pool of money available
18 so that other companies can actually find customers who
19 will be borrowers of that money.

20 That seems to be something of a mouthful,
21 so for the purposes of these Hearings, we're going to use
22 the short term -- or the shorthanded term of a "lender".
23 But I don't necessarily mean lender in the literal sense,
24 or perhaps even the sense that the Manitoba regulation
25 imposes upon it.

1 The evidence, as I said, will be through
2 Mr. Randy Schiffner. And it will show, essentially, the
3 following points:

4 First, payday loans is a risky business,
5 and as a result of this high risk that persons making
6 available money must endure, they expect -- and it would
7 be our submission -- are entitled to a higher rate of
8 return than your average blue-chip investor.

9 Because of this higher rate of return, a
10 higher interest rate necessarily follows. And in the
11 course of questions that may be put to Assistive
12 Financial, it's important to remember that its involvement
13 in this kind of a matter really relates to interest rates,
14 not so much the actual setting of fees.

15 For example, how much do you charge for an
16 NSF? How much do you charge for a rollover loan? None of
17 these are issues on which my client has any particular
18 involvement or issue.

19 It's, therefore, important to distinguish
20 between interest rates themselves and the fees and charges
21 and other costs of making money available to borrowers.

22 And when we speak of the interest rate and
23 make our position on that particular point, it's important
24 to distinguish between the actual rate of interest on a
25 loan as opposed to the cumulative effect of interest plus

1 fees that a borrower may encounter when making out -- when
2 taking out a loan.

3 And of course as I say, and it would be of
4 caution to those who may be asking further questions,
5 Assistive Financial really has an interest only in dealing
6 with interest.

7 At the same time, there is some relevance
8 of broker fees, because, of course, without fees, those
9 who are making -- or accessing the pool of money that my
10 client makes available for lending, without operating
11 revenues of course, they're not going to be able to
12 survive.

13 More particularly, as indeed has come out
14 through the Information Requests, there is a question of
15 whether or not these parties, of course, also make
16 additional payments -- which have been termed "retention
17 payments" -- essentially to retain access to the lending
18 pool. And in the course of our direct evidence, we'll
19 explain how those work.

20 That then is the evidence. So in summary,
21 there are three (3) points that we propose to put forward
22 essentially: 1) it's a high risk business; 2) that
23 requires a higher rate of interest than a normal
24 investment; and 3) there is a need for operating revenues
25 to be maintained among those who actually have contact

1 with customers because these give rise to the retention
2 payments.

3 And in many ways, almost impishly we would
4 say, the failure to appreciate this and an attempt to
5 restrict or significantly diminish interest rates -- or
6 indeed, the fees that give rise to operating revenues --
7 would almost, many ways, require Assistive Financial to
8 withdraw from at least the Manitoba market when it comes
9 to Payday loans.

10 And we say this with respect, not sort of
11 the impish child who is reacting to the authority figure
12 who would try and control the playground.

13 Two (2) additional cautions, I've already
14 mentioned the distinction between the individual, the --
15 well rather the -- the notion of my client as someone who,
16 in the broadest sense of the term, lends the money, but
17 more particularly makes available a pool of money and the
18 storefronts.

19 But the other caution, and has already been
20 made reference to in the opening comments and that has to
21 do with the use of confidential information. Because of
22 the way in which this hearing on confidentiality and the
23 decision that the Board has made has unfolded, we
24 regrettably will not be providing any answers that would
25 give rise to the publication of what my client would

1 Association. Mr. Foran...?

2

3 OPENING REMARKS BY CANADIAN PAYDAY LOAN ASSOCIATION:

4 MR. ALLAN FORAN: Thank you. Good
5 morning, Mr. Chairman, and Members of the Board, Ms.
6 Girouard and Ms. Proven. I appreciate the opportunity of
7 providing introductory comments on behalf of the Canadian
8 Payday Loan Association.

9 We'll be referring to ourselves throughout
10 the hearing as CPLA, and that might take a little less
11 transcript room when it comes to reading materials later.
12 My name is Allan Foran, for the record. With me is my
13 colleague, Ms. Lucia Studldreier. Mr. Studldreier will
14 appear at portions of the hearing. I don't anticipate
15 she'll be here the whole time. I appreciate her
16 assistance, however, and thank her.

17 I'd like to acknowledge the presence this
18 morning of the Honourable Stan Keyes, the president of
19 CPLA. Stan...? Mr. Norm Bishop, secretary of the Board
20 of CPLA. Mr. Bishop...?

21 And in the crowd, Mr. Sid Franchuk
22 (phonetic), the Chairman of the Board of CPLA. We expect
23 that other CPLA members will be in attendance throughout
24 the hearing. We appeared before you in June of 2007 and
25 made our submissions as to the basis on which CPLA would

1 assist the Board in gaining and understanding of the
2 payday lending industry, and the economic and cost factors
3 associated with our members providing services in the
4 province of Manitoba.

5 It goes without saying, that the decision
6 of this Board will play a leadership role in how other
7 jurisdictions respond to the implementation of the
8 authority established pursuant to Bill C26 that allows
9 provincial governments or independent regulatory bodies,
10 like this Board, to set maximum rates on the cost of
11 borrowing.

12 As you are aware, there is a concurrent
13 process under where Nova Scotia -- its taking place
14 simultaneous with the Manitoba process, and depending on
15 the timing of this Board's decision, Manitoba may very
16 well be the first jurisdiction in Canada to establish
17 rates for payday lending operators.

18 The CPLA strongly supported Bill C26 to
19 ensure that the payday loan industry was regulated to
20 protect consumers. Having been one (1) of the driving
21 forces for that legislation, which allows provinces to
22 conduct hearings like this, our members will now need to
23 operate under the fee structure that you mandate.

24 You have received the CPLA evidence, and
25 you will also hear further in this hearing about my

1 client's position on what is needed to establish
2 regulation that balances strong consumer protection with a
3 viable and competitive industry.

4 First and foremost, this is a rate hearing.
5 As a starting point, we believe the Board has been
6 provided with guidance as to the principles of regulation
7 that the Government of Manitoba had in mind in setting
8 fees for this industry.

9 The Minister of Finance, the Honourable
10 Greg Selinger, explicitly recognized the need for payday
11 loan services and the inappropriateness of conventional
12 interest limits as the regulatory measure for payday
13 lenders in Manitoba. We have provided you with Minister
14 Selinger's specific comments and also his views as to the
15 dangers of driving legitimate Payday lender enterprises
16 out of business, resulting in consumers being forced to
17 seek credit in other less savoury venues.

18 This hearing is not about whether my
19 clients' members should exist, but rather how to ensure
20 that all Manitobans have access to CPLA member services at
21 fair rates in a competitive and viable marketplace.

22 The Consumer Protection Act identified
23 specific criteria for the Board's consideration in setting
24 rates, which included a review of the terms and conditions
25 of payday loans, the circumstances of credit options

1 available to payday loan customers generally, the
2 operating expenses and revenue requirements of payday
3 lenders, financial risk taken by payday lenders, and the
4 regulation of payday lenders in other jurisdictions.

5 In responding to the specific statutory
6 requirements, we have provided you with information as to
7 the limited options available to payday loan customers in
8 the Manitoba marketplace for payday loans.

9 No financial institution, such as credit
10 unions or banks, serve the Manitoba marketplace with a
11 payday loan product. The CPLA has submitted pre-filed
12 written evidence.

13 We will also be filing -- or providing you
14 with a panel of members to identify the compelling points
15 we would like to raise for your attention and also to
16 answer questions of all the other various Intervenors as
17 appropriate.

18 Following through on our commitment and the
19 intervention application, CPLA has filed the most specific
20 information that has ever been produced on the provision
21 of payday loans in Manitoba.

22 We have provided you with specific
23 information on the locations and demographics surrounding
24 payday lending outlets in Winnipeg. We have prepared and
25 filed the first comprehensive study and profile of the

1 typical payday loan customer in Manitoba and provided the
2 Board with real facts on who uses payday lending services.

3 Essentially, the CPLA has filed the first
4 statistically relevant survey ever completed on payday
5 loan customers in Manitoba that clearly identifies the
6 demographic profile of payday loan customers, their
7 specific attitudes and opinions about payday loans and
8 other credit options.

9 Prior to this hearing, industry
10 participants were left to guess or assume as to who a
11 typical payday loan customer was and why they use a payday
12 loan product instead of other credit options and what they
13 think of that product. We have provided answers to all
14 those questions.

15 We've also provided you with specific
16 information on payday lenders' costs of operation. We've
17 submitted the leading report in Canada on the costs of
18 providing payday loans as prepared by Ernst and Young in
19 October of 2004.

20 We have further provided you with a second
21 report from a separate member of the big four (4) national
22 accounting firms, Deloitte & Touche, that provides details
23 as to the specific costs of operation of small and midsize
24 payday lenders in Manitoba.

25 You will also be hearing from an

1 acknowledged expert on finance, Dr. Larry Gould
2 (phonetic), as to his conclusions on competition in
3 Manitoba and what rates should be set by the Board to
4 allow for viable competition in this industry.

5 This might be a common theme in many
6 introductory comments, but I can certainly tell you it's
7 easy to look at the volume of material that's been filed
8 with the Board by all the various parties and feel
9 intimidated.

10 We've been working full-time just to try to
11 keep track of who's filed what. We believe, however, at
12 CPLA that we have given you a roadmap that addresses the
13 statutory requirements, provides you with guidance as to
14 the mandate you have been given by the Province of
15 Manitoba, and charts a clear path to set a rate that both
16 protects consumers and ensures viable competition.

17 We've provided you with clear, concise and,
18 we believe, unimpeachable evidence to assist you in coming
19 to your rate determination. Well, you will be receiving a
20 lot of information from academics, filed by their
21 Intervenors based on theory. We have provided you with
22 facts that will enable you to set an appropriate rate.
23 After all, this is a Rate Hearing.

24 We look forward to participating with you
25 in the completion of this process. Thank you for allowing

1 me the opportunity this morning.

2 THE CHAIRPERSON: Thank you, Mr. Foran.

3 Okay now for the Consumers Association of Canada,
4 Manitoba, Inc.; Manitoba Society of Seniors; and Winnipeg
5 Harvest, also known as the coalition. Mr. Williams...?

6

7 OPENING REMARKS BY CAC/MSOS:

8 MR. BRYRON WILLIAMS: Good morning, Mr.
9 Chairman, Board Member Proven and Board Member Girouard.

10 You're quite right. I'm rep --
11 representing a broad-based coalition, and as befits such a
12 coalition, I have a rather lengthy list of introductions
13 to make this morning. So hopefully I've not omitted
14 anyone.

15 In the back row is the Executive Director
16 of the Manitoba Society of Seniors, Ms. Laurie Hunter, I
17 believe, in a lovely pink outfit today.

18 At the -- in the front in the middle is Mr.
19 Ernie Tashay (phonetic) from Winnipeg Harvest. He'll be
20 joined later this morning by Mr. Benham (phonetic) from
21 Winnipeg Harvest as well.

22 We've got a -- a contingent from the
23 Consumers' Association of Canada. She's -- oh, there she
24 is. Be -- behind Mr. Tasha is Ms. Gloria Desorcy of --
25 who's the Executive Director of the Consumers'

1 Association.

2 Wearing two (2) hats today, and I believe
3 beside Ms. Desorcy, although she might have stepped out
4 for just a second -- I think she's just coming back in --
5 is Ms. Barb Kendall (phonetic), who's with the Consumers'
6 Association and also with the Provincial Counsel of Women.
7 Oh, there's -- there's Barb over there in the corner
8 hiding from me.

9 Laurie Baldwin (phonetic) from CAC is here
10 as well, and last I looked, she was in the middle row.
11 And she's raising her hand, so she is.

12 In the front row, although she's not a
13 client, our head mystery shopper, Ms. Anita Freshen
14 (phonetic) is sitting beside Mr. Tasha.

15 And we also, although they're not part of
16 the coalition, I'd acknowledge that Major Karen Loft
17 (phonetic), who is with the Salvation Army and also the
18 Provincial Counsel of Women, is here. And I believe she
19 is in the -- the back row. Oh, she's over behind the TV
20 camera.

21 So lengthy introductions being -- being
22 completed, Mr. Chair, I want to -- to start out by
23 thanking, on behalf of my clients -- who I will call the
24 coalition -- to express their appreciation to the Province
25 of Manitoba for recognizing that the payday loan market is

1 currently not servicing consumers well, that it's an
2 inadequate safeguard for consumers currently, and for
3 authorizing the Public Utilities Board to make a just and
4 reasonable Order, fixing the maximum cost of credit for
5 payday loans, for repeat loans, and for defaults.

6 And I want to emphasize the word "just and
7 reasonable," Mr. Chairman and members of the Board,
8 because in the respective view of the coalition, a careful
9 review of the evidence filed to date will suggest that
10 reference to this regulatory term of art, a just and
11 reasonable Order, is sadly lacking in the submissions of
12 many interested parties in this proceeding, including the
13 CPLA, the Rentcash, and Assistive Financial.

14 In fact, reference to a just and reasonable
15 Order appears to be next to nonexistent in the submission
16 of major industry players.

17 And I can't say that it doesn't appear with
18 absolute certainty, but I can indicate that I spent a
19 couple fruitless hours this weekend looking for reference
20 to a just and reasonable Order in the submissions of the
21 CPLA, Rentcash, or Assistive Financial, or frankly, in the
22 evidence filed by Dr. Gould, Dr. Clinton, or Deloitte &
23 Touche.

24 And I have to tell you that while I found a
25 number of references to a competitive market and to a fair

1 rate of return for investors, and in fairness, even three
2 (3) references to a reasonable cost of credit in the CPLA
3 submission, nowhere did I find that regulatur --
4 regulatory term of art, that magic -- those magic words,
5 "just and reasonable."

6 Now you may ask why my clients place such
7 emphasis on these words, "just and reasonable." Why do
8 they think those words are central to the Board's
9 determination in this case? And a trite answer would be
10 because the legislature has said it must be so.

11 Section 164(5) says, and the Chairman
12 adverted to this in his comments this morning:

13 "An Order must be one that the Board
14 considers is just and reasonable in all
15 the circumstances."

16 But a more nuanced answer, a less trite
17 answer, would be that the decision to impose a just and
18 reasonable rate ceiling on the cost of payday loans
19 represents a recognition by the Manitoba legislature that
20 the marketplace has been an inadequate safeguard to the
21 consumer's interest. A recognition that things have
22 become unbalanced between payday loan customers and the
23 payday and the -- and the industry.

24 And my clients believe that the evidence in
25 this proceeding will demonstrate ample evidence of the

1 imbalance in the marketplace between consumers and the
2 industry. It's there in the fact that consumers today,
3 for a simple two hundred and fifty dollar (\$250) loan for
4 twelve (12) days, are paying anywhere between forty-four
5 (44) and an astounding a hundred and nine dollars (\$109)
6 for a twelve (12) day loan.

7 It's there in the suggestion by the CPLA
8 that certain pla -- that certain players in the industry
9 are preying, P-R-E-Y-I-N-G upon consumers. And the
10 evidence of the CPLA, this certain players -- and I'm
11 quoting -- in the industry -- and I'm quoting directly
12 here -- only care about lining their pockets by gouging
13 consumers.

14 The evidence is there in the frank
15 acknowledgement by the CEO of Rentcash that the industry
16 is already dominated, dominated by three (3) players. And
17 it's there in the evidence, some of it provided by the
18 industry, suggesting that a significant amount of payday
19 loan borrowers have no option, no option but to take out a
20 payday loan, given their constrained financial
21 circumstances.

22 Four (4) sad realities; unacceptably high
23 rates, the suggestion that some consumers are being preyed
24 upon and gouged, the acknowledgement that a few players
25 are dominating the industry, and a significant percentage

1 of consumers with few, if any, alternatives.

2 Based on these four (4) sad realities, my
3 clients are of the view that the diagnosis of an imbalance
4 in the marketplace is relatively easy. Of course, the --
5 the solution is much more controversial. And to be candid
6 with the Board, my clients are still struggling with the
7 final recommendations that they will make to this Board,
8 both in terms of the actual maximum cost of credit for
9 payday loans, repeat loans, and defaults, as well as with
10 the best way to express that maximum cost of credit in --
11 in terms of in a -- what I would phrase as rate design.

12 So while my clients are not prepared to
13 offer solutions today regarding the current imbalance
14 between consumers and the industry, they can offer what
15 they consider to be four (4) key questions, which they
16 believe may assist the Board in making an Order that is
17 just and reasonable.

18 First of all, given industry concentration
19 and a lack of evidence of price competition in the current
20 marketplace, can we reasonably expect that competition
21 among paydays lenders in the future will restore the
22 balance between consumers and the industry?

23 Or is it more reasonable to expect that
24 just and reasonable rate regulation is what's needed to
25 restore that balance? Second question, recognizing that

1 the concept of a just and reasonable rate offers
2 regulatory companies an opportunity, but not a guarantee
3 of a fair return.

4 And also acknowledging that evidence
5 provided by the industry suggests mul -- multi-service
6 larger payday lenders are able to offer services at much
7 lower costs. Is it inconsistent with the concept of a
8 just and reasonable Order to establish a rate ceiling
9 substantiable -- substantially above the reasonable and
10 prudent costs of more efficient firms?

11 Third, has the industry presented
12 compelling evidence suggests -- suggesting that rates at
13 or below the rates imposed by regulators in the United
14 States -- which the CPLA's evidence suggests are between
15 fifteen (15) and seventeen dollars (\$17) per hundred.

16 Has the industry provided compelling
17 evidence that rel -- rates below what US regulators have
18 imposed are not sustainable?

19 Fourth, is it realistic to expect based
20 upon the substantial entry into the small loan market of
21 credit unions within the United States and the developing
22 interest in -- of Canadian credit unions in the small loan
23 market that other industry players may help to restore the
24 -- the balance in the future between consumers and the
25 industry?

1 Four (4) sad realities, four (4)
2 challenging questions going to the state of the
3 marketplace, US regulatory precedent, industry costs and
4 the potential for entry of substitutes.

5 Underlying the final recommendations of the
6 Coalition will be their firm view that the marketplace to
7 date has been inadequate in safeguarding consumers'
8 interests and the firm view that the current range of
9 rates available to consumers of payday loans are not just
10 and reasonable.

11 Also underlying the -- the Coalition's
12 final recommendations is the sense that this imbalance in
13 the marketplace is something that needs to be corrected in
14 the short term rather than waiting for another two (2) or
15 three (3) years to -- to see what plays out within the
16 marketplace.

17 Subject to any questions by the Board,
18 those are the -- the comments of the -- opening comments
19 of the Consumers Association.

20 By way of housekeeping like my impish
21 friend Mr. Dawson, I'd ask that the Board introduce as
22 exhibits from the Coalition exhibits from the first
23 Exhibits Coalition number 1, number 2 the series of
24 Coalition exhibits, Coalition exhibits from number 3 and
25 Coalition exhibit number 4.

1 They are provided in the -- the handout to
2 the Board. So I'd ask those be introduced as exhibits,
3 Mr. Chairman.

4 THE CHAIRPERSON: Very good, Mr. Williams,
5 Thank you. We'll move now to the representative of
6 Rentcash, Mr. Hacault.

7

8 OPENING REMARKS BY RENTCASH INC.:

9 MR. ANTOINE HACAULT: Good morning, Mr.
10 Chairman and the Members of the Board. Rentcash also
11 welcomes this opportunity to make an opening statement.

12 Seated to my right is Michael Thompson, the
13 Senior Vice-President and Corporate Secretary of Rentcash.
14 Other members of the company who were here at the
15 preliminary hearing will be here during the course of the
16 hearings as part of the panel.

17 And as you know, we also have Dr. Clinton
18 (phonetic) who will be presenting information to the
19 Board. Rentcash as other Intervenors have expended
20 significant time and effort to provide information to this
21 Board which Rentcash hopes will assist the Board in its
22 challenging task.

23 As you know, concurrent proceedings have
24 begun in Nova Scotia and their purpose is also to set
25 maximum rates and this is also very demanding on Rentcash

1 because it has to allocate senior management to deal with
2 that process.

3 Rentcash has and continues to be a leading
4 advocate on consumer protection measures. You'll have
5 seen various examples of that, pamphlets that explain to
6 consumers that they have rates and information contacts to
7 go to consumer protection and counselling on budgeting.
8 That information will be provided to you among other
9 information.

10 It prides itself on the quality of service
11 to its customers. Rentcash sees competition as being
12 healthy for both the industry and the consumers. I've
13 listened to the comments of my learned colleague.

14 It believes that the evidence it filed in
15 this proceeding deals with the statutory objective
16 ensuring continued free and fair competition. It banned
17 rollovers which was severely criticized at a significant
18 cost.

19 And the Chairman will have more to say
20 about that on the impact of its business and profits as a
21 result of banning that showing commitment to consumer
22 protection.

23 It believes that its position takes into
24 account the interests of lenders who are members of the
25 Canadian Payday Loan Association, secondly non-members be

1 they small or medium-size lenders and finally the interest
2 of consumers.

3 Rentcash had hoped to be in a povic --
4 position to provide specific recommendations to the Board
5 with respect to each of the categories of fees to be dealt
6 with by this Board at this time. Unfortunately, it was
7 not possible. We will be doing so during the course of
8 the hearing, however.

9 I note this in passing. Given the volume
10 of information and Information Requests, all parties were
11 not able to adhere to filing deadlines. This has caused
12 some issues because of Rentcash's duplicate obligations to
13 be able to deal with some of these in -- information -- or
14 some of this information which has come in -- in spurts,
15 I'm going to say.

16 And Rentcash just exhorts this Board to
17 ensure that this procedure makes sure that it receives
18 full and balanced information. We hope that there won't
19 be any delays. But if there is new information, we may be
20 requesting some time to deal with it, and to provide the
21 Board with what we feel is the full picture.

22 With respect to the issue of just and
23 reasonable, we believe that just and reasonable has to be
24 just and reasonable to both the industry and to the
25 consumers.

10 It must also be just and reasonable to
11 consumers, and that is why we have preferred this Board,
12 and I will quote again from the Finance Minister, the
13 Honourable Mr. Greg Salenger. The purpose which he sought
14 in this legislation. It was set out in a February 22,
15 2007 letter from him to the clerk of the standing Senate
16 Committee on Banking, Trade and Commerce. He said, and
17 I'm quoting, and the full letter is before the Board:

18 "The decision to move forward with this
19 legislation was made after careful
20 consideration of the existing industry
21 in Manitoba. As a result, the
22 legislation represents a deliberate
23 effort to balance the desire of payday
24 lenders to provide their services and
25 compete for a market share, and ..."

1 This is the balancing:

2 "... the right of consumers to be
3 protected from excessive charges.
4 Accordingly, the Board will have the
5 ability to consider the broad range of
6 issues for both lenders and borrowers,
7 and must issue an Order that is just and
8 reasonable."

9 When I've listened to Mr. Byron Williams
10 make his submission, he focused the just and reasonable on
11 the consumers, but I think it's clear from the letter from
12 the Minister that both must be taken into account.

13 The Minister continues, and I quote:
14 "We believe that this process will
15 result in rates that protect consumers
16 from excessive charges. Setting maximum
17 rates will allow lenders to fairly and
18 freely compete, and will have a
19 levelling effect in the industry by
20 prohibiting extreme rates."

21 So you will see that the evidence that's
22 been presented by Rentcash focuses on the issue of
23 excessive rates.

24 The challenge for this Board is that it
25 usually deals with monopolies, such as the Utilities.

1 Hydro, which has no competition. MPIC, which has no
2 competition. And the Minister wants the competition to
3 continue.

4 So that we have filed information with
5 respect to the requirements of the industry to be able to
6 operate. We have filed information with respect to the
7 different risk levels and how that impacts on what they
8 must charge.

9 There's a huge difference just -- if
10 somebody accepts loans based on a 1 percent default rate
11 on average, but another lender is willing to go further
12 and accept an 8 percent default rate on average.

13 That has a huge impact on the rates they
14 have to charge to meet their business expenses and
15 continue to provide a worth while service to these
16 consumers who are riskier and at the 1 percent or
17 8 percent level are not able to secure the services from a
18 bank or credit union.

19 We have also provided information with
20 respect to the different quality of service. You will see
21 in the information that banks and credit unions aren't
22 open the number of hours that payday lenders are. And
23 different payday lenders spend different amounts of time
24 with the consumers.

25 The consumers, if they're to have a choice

1 and decide whether they want to pay the extra dollars to
2 have somebody spend time with them, have to have an
3 industry that's competitive and provides different levels
4 of service, then they can make a choice. And they don't
5 have to, as my colleague Mr. Foran said, go back to what
6 we commonly refer to the loan sharks, the people you might
7 see in -- in the hotels and -- and some seedier places in
8 the city and in the province.

9 The other thing, I believe, of the
10 information that we have provided, demonstrates to this
11 Board is that analyzing and dissecting cost information
12 and expenses is very complex and changes with each payday
13 loan operator. Some of them such as Money Mart have about
14 50 percent of their revenue which is not risk averse,
15 and only has about 50 percent that is in the payday
16 lending material, some of them are practically only
17 exclusively payday lenders, all these different models and
18 trying to extract and trying to find, well what's the real
19 cost related to providing the payday loan is very complex,
20 and if we continue down that line a very expensive
21 process.

22 And the question which we will be posing to
23 this Board at the end is: Is that model, which is the
24 traditional utilities model and detailed analysis of what
25 level of service you're going to be able to provide, what

1 risk are you going to be allowed to take, is it an
2 appropriate model for regulating this industry in
3 Manitoba, rather the model that should be adopted as the
4 model suggested by the economist, Dr. Clinton.

5 Another danger of setting rates too low is
6 that it may inhibit entry of other. We heard Mr. Byron
7 Williams say this morning: Well, there may be credit
8 unions that want to come in. If the Board sets a rate
9 that's too low and doesn't have the credit unions as
10 participants and the credit unions have already decided
11 not to get into this business, is the Board by setting
12 rates too low at the rates suggested, in my respectful
13 submission by Mr. Williams, going to inhibit, number one,
14 continued competition and inhibit, secondly, market entry
15 by credit unions which are there to serve their members.

16 I'm glad I'm not the one sitting on the
17 bench and dais before me because I see the challenge for
18 this Board as quite formidable and challenging, a decision
19 which, according to the Minister, allows the industry to
20 fairly and freely compete, and a decision which would only
21 prohibit what is considered extreme rates. Rentcash has
22 presented evidence and will continue to try to assist the
23 Board to meet this challenge. Thank you for your
24 attention.

25 THE CHAIRPERSON: Thank you, sir.

1 Next person to provide opening remarks
2 would be Mr. Sorenson for Sorenson's Loans Till Payday.
3 Mr. Sorenson.

4

5 OPENING REMARKS FROM SORENSEN'S LOANS TIL PAYDAY:

6 MR. LEO SORENSON: Good morning Mr.
7 Chairman and members of the Board. My name is Leo
8 Sorenson. With my wife we own Sorenson's Loans Till
9 Payday, that operate in three (3) provinces. We do have
10 three (3) stores in Winnipeg. I'm very much independent,
11 I don't belong to the Canadian Payday Loan Association, I
12 do belong to the B.C. Payday Loan Association, but I don't
13 represent them, I only represent Sorenson's Loans Till
14 Payday.

15 A number of questions that have come up,
16 and I sympathize with the Board because I have spent about
17 a month reading briefs that come at four and five hundred
18 (400/500) pages a day to try and work through them.

19 The Board can do one (1) of two (2) things.
20 You -- I was in Thompson a year ago and -- with the Cheque
21 Cashing. I think that the gentleman on my right, who said
22 something about being involved in that, made an error in
23 judgment in his learned way because the little fellow --
24 the man or woman with the least amount of money, who gets
25 a fifty-seven dollar (\$57) paycheque -- you gave me a

1 raise cashing his cheque.

2 The man or woman that doesn't want to pay
3 taxes and doesn't want to pay family support, you give him
4 a break, because -- I do cash significant cheques every
5 month because people -- if they take them to the bank,
6 they'll be seized by Family Maintenance or otherwise.

7 So you didn't really score high points with
8 my moral standing. The gentleman to my right, again, said
9 this morning, "just and reasonable."

10 Well I would suggest to the Board that of
11 all the people in the room, very few could come up with
12 four (4) exact just and reasonable answers. It's not --
13 it's ambiguous, "just and reasonable". That's why we have
14 appeal courts. I -- I find that it's number. Everybody
15 talks about the interest that we charge, too much. I
16 suggest that a great number of people don't really even
17 understand it, regardless of how much schooling that
18 they've had.

19 The amount of principal that one loans
20 significantly changes the rate. The banks, little corner
21 banks in my little town of Port Alberni, has \$250 million
22 portfolio and mortgages. They make about 1.5 percent
23 between what they pay their depositors and what they loan
24 out.

25 One and a half percent on \$250 million,

1 I'll be in the payday loan industry for a long time if I
2 could have that kind of volume, even at that kind of
3 interest, because if anybody is wondering what that is,
4 it's about \$3.75 million a year to operate a small corner
5 bank with seven (7) or ten (10) employees.

6 The time, no one understands the time if
7 you're talking about my customers. I have a continuous
8 problem with people coming in and saying, "Oh, you only
9 charge twenty-five dollars (\$25). That's cheaper than my
10 credit card."

11 No, it's not. That twenty-five dollars
12 (\$25) is for fourteen (14) days. Your credit card at 38
13 percent is for the whole year.

14 Now to correct that, I suggest we talk to
15 the Minister of Education, because people don't seem to
16 understand the difference in principal, interest, and
17 time. There's a huge difference.

18 I would even suggest to people that think
19 that the whole industry, that we take people off the
20 street and bring them in and shake them up and say "Hey,
21 you've got to borrow a hundred dollars (\$100) from us."

22 That's fantasy. People come in, they know
23 what they're going to char -- be charged. They know what
24 they're going to have to pay, when they have to pay it,
25 and it's clear.

1 It's not ambiguous. There's no hidden
2 costs. We're upfront. The problem with this -- and I've
3 been in this business for nine (9) years -- is yes, we
4 have a lot more competition. And yes, we don't have the
5 volume that we had.

6 But with all the competition, and I -- I
7 compete quite often next door to Money Mart, next door to
8 Rentcash or Instalogs. There is competition, because a
9 person walking down the street can come into my store or
10 he can go into Instalogs. If they choose me, fine. If
11 they choose Instalogs, still fine. There is competition.

12 What we do is we compete in a -- in a very,
13 very subtle way with our advertising and what we do. Now,
14 when people talk about a full-service, I guess for an
15 independent, I'm as full-service as you get. I run a
16 reconnect telephone company, I do income tax, I cash
17 cheques, loan money.

18 I do not do collateral loans. And the only
19 reason I do, it seems every time I do it, I get my fingers
20 burnt and lose money on it. So it's a situation that --
21 and I want to make it very clear, the only reason I am in
22 business is to make money. The day that I don't make
23 money, I will shut down a store and move away.

24 Closing stores won't help anybody that the
25 coalition is talking about, in any sense of the word.

1 Everybody, at least -- now, I live in Manitoba in the 50s,
2 when our very flamboyant Mayor, Stephen Juba, was Mayor.
3 And he was very adamant of calling Manitoba the Keystone
4 Province.

5 And it has, over the years, been very
6 business oriented. I'm not sure that this Hearing can
7 promote that. Although you are addressing the payday loan
8 industry, who some people think we're horrible. But
9 they're not taking into history what happened to HFC.

10 You're -- I'm sure that if in the '50s
11 there were HFCs all over. There were IACs all over.
12 There was Beneficial Life. Where have they all gone?

13 They've gone because they've been replaced
14 with the payday loan industry, because we had -- I don't
15 know what to -- to -- how to express it -- the gall to
16 exceed the 60 percent interest rate. I have no questions
17 on it.

18 My interest rate works out to about 720
19 percent if we wrap everything in. If anybody thinks that
20 that is fair and unjust and I make too much money, tell
21 you what -- and the coalition especially -- I got three
22 (3) keys to hand you in Winnipeg, and I'll walk away and
23 see how much money you can make.

24 Because at the year-end -- I just go my
25 books, and I didn't make twenty thousand dollars (\$20,000)

1 net profit in Manitoba. And that -- my travelling back
2 and forth is not taken out of Manitoba's costs.

3 So fair and just should -- but before I --
4 there is one (1) thing that everybody talks about, that
5 they don't want rollovers.

6 In fact, until four (4) years ago, I didn't
7 even know what they were talking about. I still don't
8 know what a rollover is. And if there's no -- I can't
9 find any legal definition of it. The -- Mr. Brown comes
10 in when he's supposed to pay off his loan, he pays off his
11 loan and asks for another one.

12 We issue him another one. Is this a
13 rollover? I don't know, because I can't find a legal
14 definition for it. Everybody wants to talk about it.

15 I have a system very similar to Rentcash.
16 We charge twenty-five dollars (\$25), a hundred (100) for a
17 brokerage fee. We charge sixteen (16) cents a day, which
18 works out to 58.4 percent, and that carries on until the
19 loan is paid in full.

20 The interesting thing that I noticed in
21 Manitoba was when I checked into the hotel the other day,
22 on the phonebook there are two (2) companies. So
23 obviously, the payday loan industry has helped two (2)
24 companies form. They're both bankruptcy companies, and
25 they both have stickers on the top of the phonebook that

1 they -- they issue.

2 And if a gentleman and -- or a person takes
3 a three hundred dollar (\$300) loan with me and doesn't pay
4 it back, and owned -- owes three hundred and eighty-four
5 dollars (\$384) and goes into bankruptcy -- and believe me,
6 I know who my com -- competitor is because quite often the
7 people that go bankruptcy have Rentcash, Instalogs, Money
8 Mart, and a couple of -- and Sorenson's Loans 'til Payday,
9 and a couple other loans 'til payday.

10 I honestly think that sometimes the
11 trustees tell them, "Go out and borrow money from the
12 payday loan industry to pay me my fee," because they're
13 all there. It's a situation.

14 Now, default fees, I charge twenty-five
15 dollars (\$25) for a default fee, and it's not really fair.
16 And examining, this has come to my attention, because I
17 charge twenty-five dollars (\$25) if you have a hundred
18 dollar (\$100) loan. I charge twenty-five dollars (\$25) if
19 you have a three hundred dollar (\$300) loan. It's
20 basically an NSF fee for the cheque that we couldn't cash.

21 The executive summary mentioned to me that
22 26.87 percent -- dollars per hundred was above the
23 Manitoba average. Well that's basically where I'm at.
24 Twenty-five dollars (\$25) plus sixteen cents (\$0.16) a day
25 for ten (10) days is twenty-six dollars and sixty cents

1 (\$26.60), so -- and I'm not worried about the interests of
2 my investors. I'm not worried about whether or not we
3 operate in Manitoba. That is not a -- a part, because I
4 won't miss a meal one way or the other.

5 But I'm really concerned -- and I'm not
6 sure where the Manitoba government charges -- gonna charge
7 me roughly fifty-five hundred dollars (\$5,500) for every
8 store that I have open in Manitoba.

9 I think that -- please don't tell me that
10 you're gonna want fifty-five hundred dollars (\$5,500) and
11 talk about userage, because all you have to do is look in
12 the mirror.

13 I can say something -- and I'll apologize
14 now to any women involved -- Harry Truman, as a young
15 man, said:

16 "Two (2) things I wanted to be: a piano
17 player in a house of ill repute and a
18 politician."

19 After he reached the highest office, known
20 as President of the United States, he said there doesn't
21 seem to be much difference.

22 The -- also one other thing that Mr. Truman
23 said that comes to me -- and the coalition should very
24 clearly name me one of our clients that complained,
25 because I have a sign in our stores:

1 "If you gotta complain, call an 800
2 number and talk to Leo Sorenson."

3 Now, of all the -- the other thing that I
4 maybe should address is the fact that we have continuous
5 customers. Yes, we do. That's a good form of business if
6 you can have the customer keep coming back. I've had peop
7 -- same customers for nine (9) years.

8 We at one time said, Well this doesn't make
9 a whole bunch of sense. You come in. You pay me a
10 hundred dollars (\$100) this payday. You pay me a hundred
11 dollars (\$100) this payday. This -- you're not going
12 anywhere. From now on, you pay me a hundred dollars
13 (\$100) and when the five hundred dollars (\$500) is paid
14 off, you don't owe me any money. Three (3) days later,
15 Can I borrow five hundred dollars (\$500)?

16 So we just stopped doing it. It's just a
17 person doesn't seems to be satisfied until he has that
18 loan. Make sense? No. But coming to pay me twenty-six
19 dollars (\$26) for a hundred dollars (\$100) for two (2)
20 weeks, it doesn't make sense.

21 But it is a service to people that have no
22 other option. They have none. I've been criticized in my
23 home town by being a loan shark. Whatever.

24 But when somebody comes in and wants a
25 hundred dollars (\$100) to buy food to feed his wife, to

1 feed his kids to pay a hydro bill because he's getting cut
2 off, and we loan him the money to pay that, and we gouge
3 him because we charge him the rate we do.

4 If we're not there, what's going to happen?
5 His power's going to get cut off, the kids aren't going to
6 eat. I suggest very strongly that most people in this
7 room that are highly educated don't even understand what
8 poverty is.

9 I sat on a board once who -- a gentleman
10 who was a vice president of a very large corporation told
11 me he knew what poverty was, because on the 10th of the
12 month his cheque didn't come 'til the 25th, and he had no
13 money to buy beer.

14 Let me suggest to you very strongly that
15 has nothing to do with the people -- percentage of people
16 that we serve, not all of them. I can tell you that we
17 also loan money to people that earn a quarter-million
18 dollars (\$250,000) a year.

19 But let me suggest to you that if you've
20 been fired, you have no employment, you have no money, you
21 have no way to go, the next step from us -- if we don't
22 loan him money -- is to go and steal.

23 He's got to eat. His kids have got to eat.
24 I'm not the saviour for everyone. I had a man come into
25 our store to borrow three hundred dollars (\$300) to buy

1 his wife a Christmas present. When he gave me his
2 paycheque, year-to-date earnings: two hundred and forty-
3 seven thousand dollars (\$247,000). But he still didn't
4 have enough money to buy his wife a Christmas present. He
5 was very upset. His company never gave him a Christmas
6 bonus.

7 Mr. Chairman and Board, I thank you for
8 hearing me. I appreciate it. If you put us out of
9 business, you have laid ten (10) people off in Manitoba,
10 and that's all you have done. I don't believe that you'll
11 help anyone. Thank you.

12 THE CHAIRPERSON: Thank you, Mr. Sorenson.
13 Last person to make opening remarks today is 310-Loan, Mr.
14 Slee.

15

16 (BRIEF PAUSE)

17

18 OPENING REMARKS BY 310-LOAN:

19 MR. NATHAN SLEE: First of all, I'd like
20 to thank the Board for giving 310-Loan the opportunity to
21 participate in these Hearings and offer input wherever we
22 can.

23 I'd also like to say a big thank you to the
24 Members of the Board, particularly also the Board
25 secretary, the Board counsel and all of the Intervenors

1 for all the effort that everybody's put in here. I think
2 we've all had some -- some late nights and some -- a lot
3 of weekend hours working on this stuff, and I appreciate
4 everybody's dedication.

5 These are obviously very difficult
6 questions in front of the Board, and I think everyone's
7 working really hard to put the -- the best information on
8 the table to help you guys with your decision.

9 I'm going to keep my opening fairly brief.
10 I am last, so I don't want to drag on too long. I also
11 hope that the evidence that we've already submitted has
12 made our position quite clear. So I won't go into that in
13 too much depth.

14 I will also attempt to expand on our
15 evidence when we provide our oral testimony and closing
16 statements early next month.

17 In terms of comments today, I'd like you to
18 consider a few points about what's ahead for the Manitoba
19 payday loan market, given the pending consumer protection
20 legislation and regulations that are already sitting on
21 the table.

22 Amongst all the participants in these
23 hearings, it seems to be universally accepted that a free
24 and competitive market with market share spread amongst
25 many lenders will produce the best results for customers

1 where opinion diverges in regards to the state of that
2 market today and the degree to which it meets consumers'
3 needs.

4 Some have argued that the market has
5 failed. Others have argued that it's be -- it's behaving
6 as it should. What we believe and what we will argue is
7 that the truth is somewhere in the middle. As we have
8 stated in our evidence, we believe that the legal risks
9 faced by payday lenders today and the regular --
10 regulatory uncertainty in the industry has prevented major
11 new entrants from moving into the market, and this has
12 drastically affected the amount of competition that we're
13 seeing in the levels of concentration.

14 Throughout these hearings, we've also come
15 to understand that it's particularly difficult to compare
16 prices in the payday loans market. This became abundantly
17 clear when we -- and myself, personally, attempted to
18 ascertain the market rates in Manitoba for payday loans.

19 Despite my lengthy experience in the
20 industry, I was still unable to successfully interpret all
21 of the rates at all of the firms. I did -- certainly
22 meant to misinterpret at least the rates at one (1) of the
23 firms that I spoke to.

24 As the Board considers whether the market
25 can work for the payday loan consumer, we ask that you be

1 cognizant of the efforts that have already been made to
2 encourage a fully functioning market. And there -- that
3 your efforts focus on encouraging the markets chance for
4 success and not diminishing it.

5 As these hearings move forward, consider
6 how the market may change when the legal risks of
7 operating a payday loan firm are reduced. Also, consider
8 how consumers will behave when every firm displays their
9 rates in the same manner. How will their decisions change
10 if rates are easy to compare?

11 How will this affect the way firms behave?
12 What other changes will come to the market as a result of
13 some of the pending consumer protection measures? The
14 market that you are considering and that your decision
15 will affect will be much different from the market that
16 you see today because of these pending legislative and
17 regulatory changes.

18 In addition to these changes, firms will
19 also face new costs that did not previously exist. In
20 particular, the significant licensing and bonding fees
21 will be required. Also, a direct lending firm like 310-
22 LOAN may have to open a physical location in Manitoba in
23 order to qualify for a license here.

24 This will significantly change our
25 operating model and our cost structure. Much has been

1 discussed in these hearings about what changes are -- are
2 required to best serve the consumer. We think, in
3 reality, a lot of this work has already been done, and we
4 think it'll take effect pending the end of these hearings.

5 And we ask that the Board please consider
6 carefully how your decision on rates will fit with these
7 coming changes. In addition and a somewhat different
8 matter, I'd like to ask also that the Board be forthcoming
9 with any matters that you're considering beyond the
10 setting of rates.

11 A number of different topics have been
12 discussed in pre-filed evidence and the subsequent
13 Information requests that are well beyond the topic of
14 rates. It's near impossible for all parties to provide
15 input on -- on each of these topics within the time
16 allotted for these hearings; however, if there are now
17 matters that you're seriously considering, we feel it's
18 only fair that Inter -- Intervenors be made aware of these
19 considerations and given the opportunity to provide their
20 input.

21 Once again, I'd like to thank you for the
22 opportunity to participate, and I look forward to speaking
23 to my evidence on December 3rd. Thank you.

24 THE CHAIRPERSON: Thank you, Mr. Slee.
25 Okay. We will take a short break now. When we come back

1 we will begin with Mr. Dawson and Assistive. Thank you.

2

3 --- Upon Recessing at 10:16 a.m.

4 --- Upon Resuming at 10:40 a.m.

5

6 THE CHAIRPERSON: Okay folks, if we could
7 get back at it, I'd appreciate it.

8 So, Mr. Dawson, if you wouldn't mind. If
9 you could introduce Mr. Schiffner, and then we'll swear
10 him in and get underway.

11 MR. ROBERT DAWSON: Thank you, Mr.
12 Chairman and members of the Board.

13 Seated next to me is the President of the
14 Intervenor, Assistive Financial Corp., Mr. Randy
15 Schiffner, who will give direct examination evidence and
16 then open himself up for cross-examination, and if you'd
17 like to swear the witness in, Mr. Chairman.

18

19 EVIDENCE BY ASSISTIVE FINANCIAL:

20 RANDY SCHIFFNER, SWORN

21

22 THE CHAIRPERSON: Thank you, gentlemen.
23 Okay, over to you, Mr. Dawson.

24

25 EXAMINATION-IN-CHIEF BY MR. ROBERT DAWSON:

1 MR. ROBERT DAWSON: Good morning, Mr.
2 Schiffner. Let's start with an overview of the nature of
3 the company.

4 Can you tell the Board what Assistive
5 Financial Corporation is?

6 MR. RANDY SCHIFFNER: Sorry. Assistive
7 Financial is a private corporation formed in 2002. It was
8 put together to put a pool of money together to lend to
9 the payday loan industry. We do not have any storefronts.
10 We just are a true lender.

11 MR. ROBERT DAWSON: And your position as
12 President of the company, can you tell us something about
13 your background as to why you're qualified to be President
14 of Assistive Financial?

15 MR. RANDY SCHIFFNER: I've been in a
16 finance business for thirty-four (34) years, and I have
17 submitted my CV on the first submission as Schedule A that
18 outlines all of my career.

19 MR. ROBERT DAWSON: And I can indicate,
20 Mr. Chairman, both to save time but also on the very sound
21 assumption that the Board has gone through the materials,
22 this direct evidence is very much by way of an overview,
23 and certainly, of course, we're open to any questions that
24 the Board itself may ask, as well as those that may come
25 from Board counsel.

1 Given that we have now an overview of what
2 the company is, as well as your background, Mr. Schiffner,
3 lets turn to the -- looking at the larger picture of how
4 Assistive Financial Corporation fits into the Manitoba
5 payday loans scene.

6 MR. RANDY SCHIFFNER: Like I mentioned
7 earlier, we are the lender. We have established a
8 relationship with Rentcash. They are the broker; we are
9 the lender. They do the street, the bricks and mortar.

10 We're behind the scenes. We do the
11 lending. The loans are actually in our name. We own the
12 loans. We take the risk.

13 MR. ROBERT DAWSON: Can we draw out your
14 role then as the person who makes available money to
15 Rentcash to give to borrowers?

16 Can you start by explaining what you
17 specifically do to support the work that Rentcash will
18 eventually do?

19 MR. RANDY SCHIFFNER: What we do is we
20 create a criteria for the loan approval process, and they
21 as brokers, if a consumer comes in, qualifies for that
22 criteria, the loan is approved, and then they release the
23 money to the consumer after that.

24 MR. ROBERT DAWSON: And when you make
25 reference to a loan criteria, what you are saying, if I

1 understand correctly, is you set out a number of
2 conditions that a borrower has to met.

3 Is -- is that what you mean by that?

4 MR. RANDY SCHIFFNER: That's correct.

5 MR. ROBERT DAWSON: In addition to setting
6 the criteria, does Assistive Financial prescribe any other
7 terms of the loan to the borrower?

8 If I can help you, I'm thinking for example
9 who fixes the interest rate in a loan?

10 MR. RANDY SCHIFFNER: The interest rate is
11 fixed by Assistive. It's -- we charge fifty-nine (59)
12 percent per annum.

13 MR. ROBERT DAWSON: Can you tell the Board
14 how you calculate that 59 percent per annum is the
15 interest rate that should be charged in this matter?

16 MR. RANDY SCHIFFNER: Well, even at
17 59 percent, when it's all said and done there's about
18 35 percent of the 59 percent never pays, we have to pay
19 our investment pool roughly 19 percent and what's left is
20 kind of the profit that remains in Assistive.

21 MR. ROBERT DAWSON: You made reference to
22 35 percent of the 59 percent interest rate as being money
23 that never gets paid back.

24 Can you elaborate and explain what you mean
25 by that?

1 MR. RANDY SCHIFFNER: That is the high
2 risk of the payday loan business, even under the criteria
3 that we set for the broker to release the loan, a lot of
4 people in this business just do not pay back the principal
5 or any of the interest or the fees that are associated
6 with it.

7 MR. ROBERT DAWSON: Does the, as you've
8 described it, "high risk of the business" have an effect
9 upon the interest rate that you ultimately have to set
10 then?

11 MR. RANDY SCHIFFNER: Absolutely, because
12 we have to cover the costs of the loan losses as well as
13 to pay the capital that's in the -- the pool of money to
14 the investors that are willing to lend directly to
15 Assistive.

16 MR. ROBERT DAWSON: When you were going
17 through the numbers of the 59 percent you attributed
18 approximately 19 percent to the money that you have to pay
19 to your investors, did I get that right?

20 MR. RANDY SCHIFFNER: That's correct. The
21 -- the investors that are willing to invest in the payday
22 loan business, keeping in mind that the average loan is
23 about three hundred and seventy nine (\$379) dollars, and a
24 lot of these investors can do for -- first mortgages at 16
25 to 18 percent, would you rather have the security of a

1 first mortgage or a three hundred and seventy nine (\$379)
2 dollar payday loan, you have to offer that to get the
3 investment pool and the capital into the company.

4 MR. ROBERT DAWSON: Can you distinguish
5 two (2) terms of art: One is an interest rate, and the
6 other one, just for the record, is the rate of return.
7 What's the difference between those two?

8 MR. RANDY SCHIFFNER: The interest rate is
9 what we charge to the consumer, the rate of return is on
10 the capital that is in the company.

11 MR. ROBERT DAWSON: And so on a loan
12 that's got 59 percent, that's the interest rate, and at
13 the risk of making you repeat, can you tell me what the
14 rate of return is on a 59 percent interest rate?

15 MR. RANDY SCHIFFNER: The rate of return
16 based on the capital of the company is confidential
17 because of the capital in the company, but the rate of
18 return diminishes way down, roughly 5 to 8 percent.

19 MR. ROBERT DAWSON: If your rate of return
20 were diminished or lowered, either by operation of any
21 rates that this Board might fix, or by other reasons that
22 arise in the marketplace, what effect would that have on
23 your operations?

24 MR. RANDY SCHIFFNER: Depending on how low
25 it went, if it didn't make sense we would have to pull out

1 of the marketplace because there's no sense of putting
2 investment out and getting no rate of return.

3 MR. ROBERT DAWSON: In the evidence
4 submission filing there's reference to another term of art
5 which is "retention payments".

6 Can you explain to the Board what a
7 retention payment is?

8 MR. RANDY SCHIFFNER: A retention payment
9 is a voluntary payment made by the broker in the event of
10 loan losses that far exceed our expected rate.

11 MR. ROBERT DAWSON: Could you clarify
12 then, and just explain what the need for the retention
13 payment is? Why does it arise?

14 MR. RANDY SCHIFFNER: On lots of occasions
15 the loan losses far exceed the amount of interest that
16 we've collected so if we did not get the retention
17 payments the principal would erode and we would virtually
18 be out of business within two years.

19 MR. ROBERT DAWSON: At the risk of being
20 flippant, could it be said to be accurate if I describe
21 retention payments then as almost topping-up to make out
22 for loan losses?

23 MR. RANDY SCHIFFNER: That's correct.

24 MR. ROBERT DAWSON: Could you walk us
25 through the way, then, that these retention payments are

1 calculated in any particular time? What's the time period
2 and how do you calculate what the retention payment should
3 be?

4 MR. RANDY SCHIFFNER: After the loans
5 reach ninety (90) days, we write them off. So what we do
6 is we look at our book and what we have reserved in
7 reserve -- the difference between what we have collected
8 from the interest and what the loan losses are -- is the
9 amount of the retention payment that is required to keep
10 us whole, as well as give us a -- a fair rate of return.

11 MR. ROBERT DAWSON: Is there any impact
12 upon retention payments if the fees and charges that
13 brokers make are somehow diminished or reduced?

14 MR. RANDY SCHIFFNER: The whole system
15 would shut down because there wouldn't be enough -- like I
16 stated before, in two (2) years you would virtually
17 liquidate your principal.

18 MR. ROBERT DAWSON: If I can direct your
19 attention then to -- is -- well do you -- what is the
20 position that Assistive Financial takes with respect to
21 maximum fees, charges, and costs that brokers can impose
22 upon persons who are receiving the loans that Assistive is
23 making?

24 MR. RANDY SCHIFFNER: We take no position
25 because we only charge interest. But on the other side of

1 it is the broker needs enough in fees so that they can
2 afford their retention payments to keep us whole so that
3 they have the funds to lend out to the consumer.

4 MR. ROBERT DAWSON: In a worst-case
5 scenario, what do you worry the outcome of these hearings
6 could possibly be for Assistive Financial Corporation in
7 Manitoba?

8 MR. RANDY SCHIFFNER: The worst-case
9 scenario is if the interest rate is reduced to a level
10 that we cannot live with and the fees are adjusted
11 downwards, where the broker cannot participate in the
12 voluntary retention payments. We would have to pull out
13 of the market.

14 MR. ROBERT DAWSON: And what would be
15 Assistive Financial's best case or best hope for the
16 outcome of these Hearings?

17 MR. RANDY SCHIFFNER: That the interest
18 rate remain similar to what it is now and the fee
19 structure very similar to what it is now, because it's
20 what is required to make the whole process work.

21 MR. ROBERT DAWSON: Those conclude my
22 questions on direct, Mr. Chairman. Thank you.

23 THE CHAIRPERSON: Thank you, Mr. Dawson.
24 Ms. Southall, whenever you're ready.

25 MS. ANITA SOUTHALL: Thank you. I'm just

1 going to take a moment, Mr. Chairman, and then I'll be
2 able to proceed.

3

4 (BRIEF PAUSE)

5

6 CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

7 MS. ANITA SOUTHALL: Thank you very much
8 for that short break to allow me to consult. I'm just
9 going to alert the Intervenorors to the fact that for cross-
10 examination by Board counsel through this proceeding we
11 have prepared reference binders.

12 Our intention is to include in the
13 reference binders -- and there'll be one (1) for every
14 Intervenor, and there will also be binders available for
15 the witnesses who are testifying at a given point in time.

16 And the intention is to have the narrowed
17 set of materials that are going to be referenced by us in
18 cross-examination in the binder for ease of reference. So
19 if -- if I could just ask Mr. Gaudreau's help in
20 distributing those.

21

22 (BRIEF PAUSE)

23

24 MS. ANITA SOUTHALL: I take it now that
25 everyone has their reference material before them in terms

1 of Intervenors or counsel? Thank you very much.

2 And, Mr. Schiffner, I'm going to have, as
3 Board counsel, some questions for you in -- in
4 cross-examination. And when I'm finished my questioning
5 we may be at our noon break. We may not.

6 Other Intervenors or other counsel may also
7 have some questions of you, sir, and the -- the Board
8 panel members may have questions of you as we go along.
9 So if you will bear with us through that process, thank
10 you.

11 First of all, sir, could you tell us where,
12 other than Manitoba, Assistive Financial makes its pool of
13 capital available in -- in terms of other jurisdictions in
14 Canada?

15 MR. RANDY SCHIFFNER: In every province
16 other than Quebec and Nunavut. Did I pronounce that
17 right?

18 MS. ANITA SOUTHALL: And is Assistive
19 Financial affiliated only with Rentcash in Manitoba as --
20 as a direct broker provider?

21 MR. RANDY SCHIFFNER: That's correct.

22 MS. ANITA SOUTHALL: And in other
23 jurisdictions in Canada, is that also the case? Are you
24 only affiliated with Rentcash for the provision of funds
25 for lending to payday lenders?

1 MR. RANDY SCHIFFNER: They're the only
2 payday lending broker that we lend to.

3 MS. ANITA SOUTHALL: Thank you. Yeah,
4 that answers my question. I respect the fact that your
5 counsel's pointed out that you will alert us if we're
6 asking questions in a commercially sensitive area of
7 testimony or matters that you wish to consider to be
8 confidential.

9 But I'm wanting to know if there is a
10 particular legal arrangement with Rentcash. Is it a
11 written contract? Is it verbal? How -- how have you
12 structured your arrangement with them?

13 MR. RANDY SCHIFFNER: We have a written
14 contract on our criteria, our collection procedures, and
15 everything else is voluntary.

16
17 (BRIEF PAUSE)

18
19 MS. ANITA SOUTHALL: Mr. Schiffner, you
20 haven't filed that contract with Rentcash with the Board.
21 Is that something that you consider confidential and
22 proprietary?

23 MR. RANDY SCHIFFNER: Yes, it is.

24 MS. ANITA SOUTHALL: Sir, you indicated
25 that Assistive Financial has been in business since 2002?

1 MR. RANDY SCHIFFNER: That's correct.

2 MS. ANITA SOUTHALL: Can you tell us if
3 your capital pool has grown since 2002 in this business?

4 MR. RANDY SCHIFFNER: Yes, it has.

5 MS. ANITA SOUTHALL: Could you give us any
6 further detail on that?

7 MR. RANDY SCHIFFNER: Not really.

8 MS. ANITA SOUTHALL: For confidentiality
9 reasons?

10 MR. RANDY SCHIFFNER: That's correct.

11 MS. ANITA SOUTHALL: Can you give us an
12 order of magnitude? Percentage growth over that period
13 without giving us actual numbers?

14 MR. RANDY SCHIFFNER: Well, you've got to
15 remember when we first started the company it was in its
16 infancy. So we smart -- started very small, because we
17 wanted to make sure that it did work and -- and what the
18 procedures were.

19 So as we got our comfort level and our
20 investors got more comfortable, then naturally, it did
21 grow. And it has grown substantially.

22 MS. ANITA SOUTHALL: Sir, has your
23 individual investor contributor amount grown also? And --
24 and I haven't been clear with that question. Just to
25 frame it a little more clearly, do you have more investors

1 in your pool now than you did in 2002?

2 MR. RANDY SCHIFFNER: Yes, I do.

3 MS. ANITA SOUTHALL: And are -- are you
4 the sole shareholder of Assistive Financial?

5 MR. RANDY SCHIFFNER: No, I own
6 40 percent, and there's other shareholders.

7 MS. ANITA SOUTHALL: Do you operate as a
8 private corporation, sir?

9 MR. RANDY SCHIFFNER: We do.

10 MS. ANITA SOUTHALL: And you do not
11 contact or solicit directly to payday lending borrowers,
12 correct?

13 MR. RANDY SCHIFFNER: Correct.

14 MS. ANITA SOUTHALL: You've indicated,
15 sir, in your direct evidence and also in the evidence --
16 the written evidence you filed with the Board -- that
17 Assistive Financial sets up its own lending criteria that
18 it supplies to Rentcash, correct?

19 MR. RANDY SCHIFFNER: That's correct.

20 MS. ANITA SOUTHALL: And in the questions,
21 the inter -- Information Requests, pardon me, that were
22 provided to Assistive Financial in the pre-hearing part of
23 this process -- the pre-oral hearing part of the process -
24 - in a question asking Assistive Financial to identify its
25 criteria, the response that was provided was that we

1 should examine the criteria identified in Rentcash's
2 responses to questions. Do you recall that?

3 MR. RANDY SCHIFFNER: Yes, I do.

4 MS. ANITA SOUTHALL: If I could take you
5 then to Tab 3 in the reference materials, please. And
6 specifically, if you could turn to page 3 of 5. And the
7 page number is the bottom right corner of the page.

8 My understanding, in terms of Assistive
9 Financial's directing us to a reference to criteria
10 information, is that on that page we are now looking at,
11 in an answer to PUB-RC-1-A2(e), there is a reference to
12 the criteria utilized in the loan qualification process.

13 And in this case, Rentcash, who you have
14 described as the sole payday broker through whom you
15 supply capital, identifies, beginning at line 17, the
16 criteria used in the loan qualification process.

17 Have you located that spot, sir?

18 MR. RANDY SCHIFFNER: Yes, I have.

19 MS. ANITA SOUTHALL: Rentcash, in its
20 response, identifies the following requirements for
21 criteria: Picture ID; pay stub; employment verification;
22 bank statement; address verification; application filled
23 out, including personal references, and in -- and in
24 brackets, not credit references.

25 In terms of listing the nature of the kinds

1 of information required to meet the lending criteria, is
2 that accurate, sir?

3 MR. RANDY SCHIFFNER: Well those are
4 probably some of them. There's probably more in ours,
5 because we -- we have caps of the amount we will lend as
6 well as, probably, some other forms of identification.

7 MS. ANITA SOUTHALL: Are you able to file
8 your criteria for Assistive Financial to allow us to have
9 a clear understanding of how your criteria is defined?

10

11 (BRIEF PAUSE)

12

13 MR. RANDY SCHIFFNER: I -- I don't think I
14 -- I think that's confidential, because it's commercially
15 -- I mean, everyone has their own criteria.

16 It's just like CIBC and the Royal Bank and
17 the Bank of Montreal. They don't lend on the same
18 criteria, but they don't tell each other what their
19 criteria is.

20 MS. ANITA SOUTHALL: Thank you, sir. The
21 reason I was -- as you may have -- have imagined, the
22 reason I was posing the question is that we're trying to
23 follow through how this relationship works between
24 Assistive Financial and Rentcash and how the criteria is
25 ultimately applied to inform ourselves on the process.

1 So that was the -- the rationale for the
2 question. Perhaps I can go about it a -- sorry, Mr.
3 Dawson?

4 MR. ROBERT DAWSON: If I may interrupt,
5 Mr. Chairman.

6 If I may suggest to Board counsel, if there
7 are particular components of what she imagines the
8 criteria to include, she might obtain helpful information
9 simply by asking, Does the rent criteria -- or does the
10 criteria include X?

11 And to the extent that it may or may not be
12 a sub -- a sensitive issue, I suspect that Mr. Schiffner
13 would be pleased to answer.

14 He -- he certainly is trying to be
15 cooperative, but his difficulty is that much of the
16 information that's being requested could help,
17 essentially, competitors decide what kind of customers
18 Rentcash -- because it relies upon Assistive's criteria --
19 what kind of customers Rentcash can and cannot lure. And
20 it could, therefore, target certain kinds of customers in
21 a specific way.

22 So if there -- there's a way to rephrase
23 the question and focus in on any issues that are help --
24 that are particularly of interest to the Board, I'm sure
25 that my client would be willing to consider that.

1 (BRIEF PAUSE)

2

3 CONTINUED BY MS. ANITA SOUTHALL:

4 MS. ANITA SOUTHALL: Thank you, Mr.

5 Dawson.

6 I was just about to -- prior to that, to
7 direct Mr. Schiffner to Tab 4 of the reference materials.

8 And if I could ask you, Mr. Schiffner, to turn to Tab 4.

9 What we've done here is we've taken out
10 attachments D and E of the Rentcash first round evidence.
11 And as I understand it, the loan application form --
12 which, if I could refer you to it, is the first page of
13 attachment D -- that the Cash Store, which is an operating
14 name or a business name, I understand it, for Rentcash.

15 That form would contain certain of the
16 criteria that you have identified to Rentcash that is
17 required to be collected for consideration of a loan
18 advance?

19 MR. RANDY SCHIFFNER: That's correct.

20 MS. ANITA SOUTHALL: Is it possible for
21 you to identify the features in the -- in terms of the
22 category of information that's identified on the loan
23 application form -- that factors into the various criteria
24 that you've set down for Rentcash?

25 MR. RANDY SCHIFFNER: Well like I -- I

1 said prior is, the ones that they have outlined are
2 primarily the majority of the criteria, other than there
3 are limits, as well as we probably verify more on their
4 residence and their employment than it does really ask.

5 But other than that, it's pretty standard.

6 MS. ANITA SOUTHALL: Pardon me, I'm just
7 taking a moment here.

8

9 (BRIEF PAUSE)

10

11 CONTINUED BY MS. ANITA SOUTHALL:

12 MS. ANITA SOUTHALL: Mr. Schiffner, it --
13 it wasn't my intention to go through every aspect of the
14 loan application form with you. But we are trying to
15 obtain some better sense of how the loan criteria is
16 considered by Assistive Financial, so if you'll bear with
17 me.

18 If I could look at some of the information
19 on the form, and it -- and the form does go on for a few
20 pages. But if I could zero in on a few things, and it may
21 be possible that -- and you will let us know if you're not
22 prepared to -- to answer the question.

23 But if we could consider some of these
24 things, and you could identify whether or not that is a
25 factor in your lending criteria, is that fair?

1 MR. RANDY SCHIFFNER: That's okay.

2 MS. ANITA SOUTHALL: So first of all, sir,
3 at the top of the page that's the loan application form
4 for Cash Store, there's a loan requested and a dollar
5 amount and a blank. Do you see that?

6 MR. RANDY SCHIFFNER: Yes.

7 MS. ANITA SOUTHALL: Does the loan size
8 factor into the criteria that's considered by Assistive
9 Financial, in terms of whether it will lend money to a
10 particular borrower?

11 MR. RANDY SCHIFFNER: It does.

12 MS. ANITA SOUTHALL: And does the fact
13 that it's a new customer versus a repeat customer factor
14 into the criteria?

15 MR. RANDY SCHIFFNER: Well, if it's a
16 repeat customer, they've already qualified. If it's a
17 new, they have to qualify.

18 MS. ANITA SOUTHALL: So a repeat customer
19 doesn't have to requalify for a loan through Rentcash?

20 MR. RANDY SCHIFFNER: They only have to
21 prove their employment.

22 MS. ANITA SOUTHALL: Just so I'm clear, is
23 it harder for someone to obtain a larger amount of money
24 than a smaller amount of money, in terms of the lending
25 criterier -- criteria?

1 MR. RANDY SCHIFFNER: Yes.

2 MS. ANITA SOUTHALL: And would a new
3 customer be typically lent only a smaller amount of money,
4 relatively speaking? For example, may be able two hundred
5 dollars (\$200) versus five hundred dollars (\$500) if
6 they're a first-time borrower?

7 MR. RANDY SCHIFFNER: That's usually how
8 it goes. It starts at two (2) to three hundred dollars
9 (\$300). The average loan is about three hundred and
10 seventy-nine dollars (\$379), the last average that was
11 taken.

12 MS. ANITA SOUTHALL: So Assistive
13 Financial will want a new customer to be able to borrow
14 within certain limits?

15 MR. RANDY SCHIFFNER: That's correct.

16
17 (BRIEF PAUSE)

18
19 MS. ANITA SOUTHALL: Just to finish off
20 that thought, then, so if -- if this person is a
21 satisfactory borrower and repays their monies and becomes
22 a repeat borrower, Assistive Financial would be prepared
23 to lend that same customer more monies in -- sorry, a
24 larger amount of money per loan in future?

25 MR. RANDY SCHIFFNER: Depending on his net

1 pay.

2 MS. ANITA SOUTHALL: So the employment
3 factor, as you mentioned a moment ago, would -- would
4 remain an issue?

5 MR. RANDY SCHIFFNER: That's correct.

6 MS. ANITA SOUTHALL: Does Assistive
7 Financial identify the percentage of net pay that a
8 borrower is allowed to borrow on a given transaction?

9 MR. RANDY SCHIFFNER: 50 percent, 5-0.

10 MS. ANITA SOUTHALL: Is it always 50
11 percent?

12 MR. RANDY SCHIFFNER: Correct, that's the
13 maximum.

14 MS. ANITA SOUTHALL: With respect to the
15 loan application form, sir, there's a point or a segment
16 that the borrower would need to complete for current
17 employer.

18 And I believe, if I heard you correctly,
19 Assistive Financial will look more deeply into issues
20 associated with employment of the individual and -- and
21 will do a little more information gathering.

22 I take it that's typical for a first-time
23 customer?

24 MR. RANDY SCHIFFNER: That's correct.

25 MS. ANITA SOUTHALL: And will the number

1 of weeks of employment, whether the person is employed
2 full-time or part-time or seasonally, will all of these
3 things be factors in the lending criteria?

4 MR. RANDY SCHIFFNER: They are, as well as
5 the net pay.

6

7 (BRIEF PAUSE)

8

9 MS. ANITA SOUTHALL: So if I could just
10 take a moment then and examine that criteria on employment
11 a little more closely.

12 Is there a minimum number of weeks that
13 someone has to be employed in order to qualify for an
14 Assistive Financial loan through Rentcash?

15 MR. RANDY SCHIFFNER: As long as they're
16 gainfully employed at the time of the application.

17 MS. ANITA SOUTHALL: So the answer is
18 there's no minimum number of weeks?

19 MR. RANDY SCHIFFNER: Correct.

20 MS. ANITA SOUTHALL: And if someone is
21 employed part-time versus full-time, would that limit the
22 amount of loan that a borrower could take?

23 MR. RANDY SCHIFFNER: It's predicated on
24 the net pay.

25 MS. ANITA SOUTHALL: Do you contact --

1 does Assistive Financial or -- if -- if we need
2 clarification, it may be Rentcash -- does someone on
3 behalf of Assistive Financial contact the employer to
4 verify information?

5 MR. RANDY SCHIFFNER: That's part of the
6 broker's criteria.

7 MS. ANITA SOUTHALL: So the broker would
8 be contacting the employer?

9 MR. RANDY SCHIFFNER: Correct.

10 MS. ANITA SOUTHALL: And do they always
11 contact the employer, in terms of the monies that
12 Assistive Financial is providing to Rentcash?

13 MR. RANDY SCHIFFNER: I have to assume so.

14 MS. ANITA SOUTHALL: Do you have any form
15 of audit associated with confirming that Rentcash is
16 following through on all of the lending criteria?

17 MR. RANDY SCHIFFNER: We look at the --
18 the work that is done and the criteria on loan losses, the
19 bad debt. And a lot of times that is where the audit
20 comes in.

21

22 (BRIEF PAUSE)

23

24 MS. ANITA SOUTHALL: So on -- on that kind
25 of examination, if -- if Assistive Financial feels that --

1 that it's experiencing higher bad debt than it would have
2 expected for a given period of time, that may trigger a
3 closer examination of Rentcash's operations in that
4 regard?

5 MR. RANDY SCHIFFNER: That's correct.

6

7 (BRIEF PAUSE)

8

9 MS. ANITA SOUTHALL: Just last -- one last
10 point of clarification on the employment issue. If
11 someone, then, is seasonally employed and they -- at the
12 time that they are seeking the loan through Rentcash, they
13 -- they are gainfully employed at that point in time, that
14 would qualify them potentially, depending on the other
15 criteria, for a loan supported by Assistive Financial,
16 correct?

17 MR. RANDY SCHIFFNER: That's correct.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: Just a couple more
22 points on this loan application form, sir. I take it that
23 you would require the borrower to have an active bank
24 account?

25 MR. RANDY SCHIFFNER: Correct.

1 MS. ANITA SOUTHALL: Do you require
2 specific information to be derived from the bank statement
3 of the individual? Have you directed Rentcash to look for
4 particular information from the bank statement for the
5 criteria that you impose?

6 MR. RANDY SCHIFFNER: It's one way of
7 confirming their net pay as well as NSF's and their
8 spending habits.

9
10 (BRIEF PAUSE)

11
12 MS. ANITA SOUTHALL: Do you also require
13 Rentcash to examine the bank statements for other payday
14 loans that are outstanding on the bank statement?

15 MR. RANDY SCHIFFNER: They would have done
16 that at the time of the loan.

17 MS. ANITA SOUTHALL: I'm sorry, sir. Is
18 it on the form here somewhere? I -- I may well have
19 missed it, I confess, if there are other payday loans
20 outstanding. Is that -- I see there does appear to be an
21 entry near the bottom of the form on this loan application
22 document that says:

23 "Have you every dealt with any other
24 payday loan companies?"

25 Would the borrower be required to fill in

1 on the form somewhere here for the Cash Store whether they
2 have any other outstanding payday loans?

3 MR. RANDY SCHIFFNER: They do.

4 MS. ANITA SOUTHALL: Would it be under
5 that section? Is that what -- the one I've just referred
6 to, "Have you ever dealt with any other payday loan
7 companies?" Would that be triggering them to disclose
8 existing payday loans?

9 MR. RANDY SCHIFFNER: Correct.

10 MS. ANITA SOUTHALL: Sir, could you
11 elaborate, to the extent you can, on what you referenced a
12 few moments ago in terms of using bank statements to
13 consider spending habits of your potential borrowers?

14 MR. RANDY SCHIFFNER: How many NSF cheques
15 and will they have the capacity to pay it back on their
16 next payday?

17

18 (BRIEF PAUSE)

19

20 MS. ANITA SOUTHALL: And, sir, just
21 following up on that, then part of what you would direct
22 Rentcash to look for would be preauthorized debits, things
23 that would be existing claims upon the existing income of
24 the individual that would cause them to be capable of
25 meeting their commitment on your loan or -- or otherwise?

1 MR. RANDY SCHIFFNER: That's correct.

2 MS. ANITA SOUTHALL: Thank you, sir, I --
3 I'm -- I'm not going to take you through that form any
4 longer, so -- so -- just so I can direct you to another
5 aspect of this process.

6 Could you explain in more detail please,
7 and I -- I can ask you more specific questions, but we are
8 trying to understand how the actual funding -- mechanics
9 of the funding process for loans works as between
10 Assistive Financial and Rentcash.

11 When the borrower comes in the door at, for
12 example, a Cash Store location in Manitoba and completes
13 the information that is being sought and which would
14 suffice for Assistive Financial's loan criteria, how is
15 that information then transferred to Assistive Financial
16 for consideration, and when is that information
17 transferred?

18 MR. RANDY SCHIFFNER: If the borrower
19 qualifies on all the criteria, it's automatically
20 approved, and it's processed at that time. It's
21 immediate.

22 Then the money is taken out of Assistive's
23 trust account and paid to the borrower.

24 MS. ANITA SOUTHALL: So a borrower would -
25 - my euphemism will be, get 100 percent score on the

1 lending criteria, and if they do, there is no consultation
2 required with Assistive Financial in terms of approval of
3 that loan. Rentcash has the authority to do that.

4 MR. RANDY SCHIFFNER: That's correct.

5 MS. ANITA SOUTHALL: And I'm going to come
6 back to the funding from Assistive Financial's account in
7 just a moment, but if 100 percent of the lending criteria
8 aren't satisfied, is there a process whereby with a -- a
9 consultation with an Assistive Financial representative,
10 the borrower can nonetheless be approved after the fact?

11 MR. RANDY SCHIFFNER: No.

12 MS. ANITA SOUTHALL: So then lets take
13 that next step to the monies coming from Assistive
14 Financial.

15 How is that transaction actually completed?
16 Is it an electronic transaction, or do -- do mo -- and --
17 and where does the money actually go from Assistive
18 Financial?

19 MR. RANDY SCHIFFNER: It goes to the
20 borrower, and it's all electronic.

21 MS. ANITA SOUTHALL: Can you just -- would
22 you mind just trying to explain that in a little more
23 detail?

24 MR. RANDY SCHIFFNER: Once the borrower
25 has -- has been approved, Instalozans or the Cash Store

1 load a debit card, and the money comes out of our trust
2 account, Assistive Financial's trust account.

3 So that's where all the money is put. When
4 the customer comes back, the money goes back into that
5 trust account. So it just revolves.

6 MS. ANITA SOUTHALL: Okay. Mr. Schiffner,
7 if I could just ask a follow-up question associated with
8 the electronic card loading process.

9 Do funds get transferred into an account
10 with Rentcash, which allows them then to access those
11 funds again through an electronic transaction to be able
12 to put a certain credit value on the -- on the debit card?

13 Is that an accurate description? If not,
14 feel free to correct me.

15 MR. RANDY SCHIFFNER: I real -- I would
16 really have to double-check it, but I think it goes
17 directly from our trust account onto the debit card, but
18 I'm -- it may go through another clearing account, and I
19 would have to get back to you directly on that, but I
20 think it goes directly from the trust into the debit card.
21 But I could be -- there could be a clearing account.

22 MS. ANITA SOUTHALL: And, sir, I
23 understand that Rentcash also makes available through its
24 storefronts in Manitoba the option for borrowers to
25 receive a cheque instead of a -- a loaded debit card. Is

1 that correct?

2 MR. RANDY SCHIFFNER: That's correct.

3 MS. ANITA SOUTHALL: And does Assistive
4 Financial participate in that cheque option process in
5 terms of its pool of capital?

6 MR. RANDY SCHIFFNER: To my knowledge the
7 last cheque was about a year and a half ago. Everything
8 has been through by debit cards.

9 MS. ANITA SOUTHALL: So essentially then
10 for the last year and a half as you've described it, sir,
11 100 percent of the capital monies that you loan through
12 rent cash are transferred out to borrowers on a pre-loaded
13 debit card?

14 MR. RANDY SCHIFFNER: That's correct. You
15 have to remember, I'm only one of the lenders. Rentcash
16 has more than myself.

17 MS. ANITA SOUTHALL: Thank you for that
18 clarification, sir.

19 Sir, can you explain how quickly the monies
20 can be advanced to a borrower under the system we've just
21 been talking about, in other words, funds come out of
22 Assistive Financial's trust account, possibly through a
23 clearing account, but possibly not, get loaded onto the
24 debit card for the borrower, how fast is that transaction?

25 MR. RANDY SCHIFFNER: Well that is

1 instant. The rest of the process I think would be a
2 question for the broker.

3 MS. ANITA SOUTHALL: So they would
4 actually have the debit card, assuming they completed all
5 of the remaining steps of the process, the loaded debit
6 card would be in their hands within moments, essentially,
7 and can be loaded right at a rent cash location?

8 MR. RANDY SCHIFFNER: That's correct.

9 MS. ANITA SOUTHALL: Sir, I'm now going to
10 turn to some questions on this concept of default in loan
11 payments, and so I will ask you to turn to Tab 1 in our
12 reference materials, and specifically this is your first
13 filing of evidence on behalf of Assistive Financial
14 Corporation. And if you could turn, please to paragraph
15 15, which is page 4 of the document.

16 Do you have that available, sir?

17 MR. RANDY SCHIFFNER: Yes, I do.

18 MS. ANITA SOUTHALL: There is a statement
19 in paragraph 15 of your evidence that -- and it's the
20 second line of that paragraph that states:

21 "However, where a loan goes into default
22 and remains unpaid, Assistive Financial
23 Corp. alone bears the loss and any costs
24 incurred in attempting to collect upon
25 the debt."

1 Do you see that statement, sir?

2 MR. RANDY SCHIFFNER: Yes, I do.

3 MS. ANITA SOUTHALL: And in your oral
4 testimony today I believe if I'm correct that you
5 indicated that you would consider a loan to be in default
6 after ninety (90) days of -- or remaining uncollected?

7 MR. RANDY SCHIFFNER: That's correct.

8 MS. ANITA SOUTHALL: And when you indicate
9 in your written evidence filed with the Board that
10 Assistive Financial alone bears the costs incurred in
11 attempting to collect upon the debt, could you just
12 elaborate as to what you're indicating in that statement?
13 In other words, what are the costs associated with
14 collecting on the debt?

15 MR. RANDY SCHIFFNER: It goes to third-
16 party collection and we have an agreement, they get a
17 percentage and we get a percentage, whatever is collected.

18 MS. ANITA SOUTHALL: So, sir, after ninety
19 (90) days and I'm going to take you in a moment to a -- a
20 flow chart that Rentcash has provided to the Board
21 associated with its collections process, but for the sake
22 of argument, after ninety (90) days and assuming at some
23 point it goes out to a collection agency, what percentage
24 is returned to Assistive Financial of funds recovered at
25 that stage and -- and what percentage to Rentcash, if any,

1 and what percentage to the collection agency?

2 Are you able to estimate those for us?

3 MR. RANDY SCHIFFNER: About 15 percent of
4 the loans that are written off are collected on, and then
5 it's divided between Assistive as well as the third party
6 collector.

7 MS. ANITA SOUTHALL: So -- and I'm not --
8 I'm not going to ask for the specific amounts, but some
9 amount is -- is paid to the collection agency to
10 effectively recover those, correct?

11 MR. RANDY SCHIFFNER: Correct.

12 MS. ANITA SOUTHALL: And the balance is
13 returned to Assistive Financial?

14 MR. RANDY SCHIFFNER: Correct.

15 MS. ANITA SOUTHALL: So none of the monies
16 that are recovered after the default period are returned
17 or kept by Rentcash?

18 MR. RANDY SCHIFFNER: No.

19 MS. ANITA SOUTHALL: Sir, does -- in the
20 period of time between the loan going into default on a
21 specific date up to the period of ninety (90) days
22 thereafter, it's my understanding that Rentcash makes
23 efforts to collect in-store, correct?

24 MR. RANDY SCHIFFNER: That's correct.

25 MS. ANITA SOUTHALL: And to the extent

1 that they collect the monies in-store within the ninety
2 (90) days, do they charge Assistive Financial some fees or
3 costs associated with making those particular collection
4 efforts?

5 MR. RANDY SCHIFFNER: That's part of our
6 agreement in the broker agreement.

7 MS. ANITA SOUTHALL: So is the answer,
8 yes, there is some additional charge to Assistive
9 Financial for Rentcash's services in terms of making
10 collection efforts in the first ninety (90) days?

11 MR. RANDY SCHIFFNER: No, it's all part of
12 our agreement with the broker and the lender.

13 MS. ANITA SOUTHALL: Sir, I'm -- I'm just
14 having a hard time understanding what your answer is
15 telling us. And again, I'm not trying to tread on your
16 confidential business operations, so I'm mindful of that.

17 Are you saying that there is no additional
18 charge by Rentcash for whatever collection efforts they
19 undertake within the first ninety (90) days in order to
20 prevent an Assistive Financial loan from breaching a
21 ninety (90) day default?

22 No additional charges?

23 MR. RANDY SCHIFFNER: Correct.

24

25 (BRIEF PAUSE)

1 MS. ANITA SOUTHALL: Sir, if I could ask
2 you to turn to Tab 4 of the reference materials. The
3 second document in Tab 4 is attachment E from the Rentcash
4 original evidence filing. And Rentcash has provided to
5 the Board a flowchart showing the payday loan process.

6 And, sir, if you could please look at the
7 second page of the flowchart, which would be on the back
8 of the first page of the document, these being two (2)
9 sided documents. The heading on the document is
10 collections process timeline, do you see that, sir?

11 MR. RANDY SCHIFFNER: I do.

12 MS. ANITA SOUTHALL: So there's an
13 indication in this Rentcash flowchart that within the
14 first ninety (90) days 90.9 percent of customer accounts
15 are collected at the store, do you see that indication?

16 MR. RANDY SCHIFFNER: I do.

17 MS. ANITA SOUTHALL: And is that accurate,
18 to the best of your knowledge, in terms of Assistive
19 Financial's loans and success rate of recovery by Rentcash
20 within the first ninety (90) days?

21 MR. RANDY SCHIFFNER: Yes, that would be
22 within a percentage or two.

23 MS. ANITA SOUTHALL: And all of the monies
24 that are in default for Assistive Financial loans then in
25 that first ninety (90) day period that are recovered by

1 Rentcash are then returned to Assistive Financial?

2 MR. RANDY SCHIFFNER: Correct.

3 MS. ANITA SOUTHALL: And, sir, just
4 following on that, within the first ninety (90) days,
5 approximately 90 percent of the loans offered by Assistive
6 Financial through Rentcash are recovered, so that within
7 the first ninety (90) days, 90 percent of the 59 percent
8 interest charged by Assistive Financial is recovered to
9 Assistive Financial. Is that correct?

10 MR. RANDY SCHIFFNER: It all depends on
11 what you're talking about, if you're talking on volume or
12 principal. There's a big difference.

13 MS. ANITA SOUTHALL: And thank you for
14 that, sir. And I -- I apologize for being overly general
15 on that.

16 Can you explain what the -- if you have an
17 understanding of it, what the 90.9 percent that Rentcash
18 is recovering in the first ninety (90) days, is it capital
19 and interest at 59 percent?

20 MR. RANDY SCHIFFNER: I -- I think they're
21 referring to the volume, not the principal.

22 MS. ANITA SOUTHALL: Sorry, sir, you're
23 using the term "volume." I'm not -- I'm not understanding
24 that term in this context.

25 MR. RANDY SCHIFFNER: I'll give you an

1 example. If you've got \$5 million in your pool to lend
2 out, it turns about eight (8) times a year, roughly,
3 because of the -- the delinquency, et cetera.

4 So that -- that pool of money at eight (8)
5 times, times five (5), is a 40 million volume even though
6 you've only got \$5 million. That's what I'm referring to.

7

8 (BRIEF PAUSE)

9

10 MS. ANITA SOUTHALL: Well you've just lost
11 the lawyer. I -- sorry, sir, I'm -- I'm not trying to be
12 flippant. I -- I did understand your description. What -
13 - what I'm trying to, I suppose, work back to, though, is
14 using the numbers that we have been provided by Rentcash.

15 If 90.9 percent of loans are collected, do
16 you understand that term in Rentcash's material to mean
17 principal, interest, and fees charged by Rentcash?

18 MR. RANDY SCHIFFNER: I go back to volume.
19 So other words it's on the total amount of the loans that
20 are issued; not the principal, because it turns. You've
21 got to remember this business turns.

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: I've been directed by

1 the accounting advisor not to try and do math on the
2 record. But, sir, with his -- with the accountant's
3 assistance, on the \$40 million turn of capital, using your
4 example, you've collected over that -- out of that \$40
5 million, on a 90 percent recovery, \$36 million?

6 MR. RANDY SCHIFFNER: That would be
7 principal. Then you'd have to do your interest. See,
8 you've got to remember I am only the lender, I only get
9 the interest. It's a big, big difference.

10 MS. ANITA SOUTHALL: So can you explain,
11 then, within the ninety (90) day period, what amount of
12 interest do you recover?

13 MR. RANDY SCHIFFNER: You would take your
14 90 -- use the \$5 million. You'd take 90 percent of 5
15 million, which is 4.5 million times 55 percent -- or 59
16 percent. That's what you would get.

17 MS. ANITA SOUTHALL: So are you collecting
18 about 53 percent interest?

19 MR. RANDY SCHIFFNER: No. You get 90
20 percent of the volume. You've still only got your 5
21 million out the full time, correct? So you only get your
22 interest on the principal.

23 So as the volume turns, that creates this
24 90 percent. But if you went on principal, you would
25 probably be way less on your collection. It's the turn

1 that you got to -- you got to understand, because the
2 money comes in, it goes out.

3 But you -- as a lender, you only have your
4 \$5 million out earning you interest. So it's not a very
5 big pool of money you get to work with.

6 MS. ANITA SOUTHALL: Can you give me a
7 moment, sir? Thank you. I -- I was listening, I -- I
8 just -- I just need to consider the point.

9 THE CHAIRPERSON: I think your chart that
10 you are looking at is a chart that was applied by
11 Rentcash, not by Assistive. It is from the perception of
12 Rentcash as to how many of their customer accounts they
13 collect within the ninety (90) days.

14 It does not necessarily equate to the 35
15 percent that Mr. Schiffner is talking about losing out of
16 the fifty-nine (59).

17 MS. ANITA SOUTHALL: Thank you, Mr. Chair.

18

19 (BRIEF PAUSE)

20

21 CONTINUED BY MS. ANITA SOUTHALL:

22 MS. ANITA SOUTHALL: Mr. Schiffner, I
23 want to turn for a couple of moments to the information
24 you shared with us, both in your written evidence and in
25 your direct evidence today, on the interest rate that you

1 have set for loans to be provided through Rentcash.

2 And initially you've indicated that a 59
3 percent interest rate is charged, correct?

4 MR. RANDY SCHIFFNER: That's correct.

5 MS. ANITA SOUTHALL: And as the Chair has
6 noted a moment ago, and as you've told us in your
7 evidence, 35 of the 59 percent equates to the amount of
8 defaults that you experience on -- on Assistive
9 Financial's loans. Is that correct?

10 MR. RANDY SCHIFFNER: Correct.

11 MS. ANITA SOUTHALL: And that would be on
12 average, I take it, over what period of time, over a year
13 or...?

14 MR. RANDY SCHIFFNER: Probably over the
15 last two (2) years, which I think I supplied to the Board,
16 under confidentiality, my audited statements. So you can
17 back into those if you would like.

18 MS. ANITA SOUTHALL: Okay. Thank you for
19 the offer, although the Board has -- the Board has
20 determined that it won't receive any information in
21 confidence in this particular Hearing. So -- but once
22 again, thank you for considering providing them in that
23 format.

24 And so through your calculation, then, that
25 you've supplied to us on the record, there -- after a -- a

1 35 percent loss rate, if I can put it that way in -- in a
2 general reference sense, there is 24 percent return to
3 Assistive Financial?

4 MR. RANDY SCHIFFNER: That's correct.

5 MS. ANITA SOUTHALL: And again, that would
6 be consistent over approximately the last two (2) years?

7 MR. RANDY SCHIFFNER: Correct.

8 MS. ANITA SOUTHALL: And -- and with that
9 24 percent, Assistive Financial pays its lending pool
10 around 19 percent?

11 MR. RANDY SCHIFFNER: That would be on
12 average.

13 MS. ANITA SOUTHALL: And does that go up
14 and down month to month, or how is that determined?

15 MR. RANDY SCHIFFNER: It's determined on
16 the amount that is out.

17 MS. ANITA SOUTHALL: Could you explain
18 that further, please?

19 MR. RANDY SCHIFFNER: Well, it grows every
20 month if Rentcash requires more money. More is out, so
21 naturally the -- the interest that's paid to the investor
22 would go up; not in per -- not in percentage, but because
23 of there's more money out there.

24 MS. ANITA SOUTHALL: Right, and I was
25 speaking strictly to the percentage. So the total -- the

1 total amount of interest is increasing because the money
2 that's out there is increasing?

3 MR. RANDY SCHIFFNER: That's correct, but
4 the interest, it's about 19 percent what we have to pay
5 our investors to -- to get them -- to put their money into
6 the pool.

7 MS. ANITA SOUTHALL: And that leaves, I
8 think as you indicated, around 5 -- 4 to 5 percent for
9 Assistive Financial for its return?

10 MR. RANDY SCHIFFNER: Correct.

11 MS. ANITA SOUTHALL: You haven't put the
12 particulars of your specific bad debt expense on the
13 record of the proceeding, correct?

14 MR. RANDY SCHIFFNER: Correct.

15 MS. ANITA SOUTHALL: And could I talk with
16 you, then, for a few minutes, sir, about the operation of
17 the retention payments provided by Rentcash?

18 MR. RANDY SCHIFFNER: Yes.

19 MS. ANITA SOUTHALL: How often are the
20 retention payments paid?

21 MR. RANDY SCHIFFNER: Monthly.

22 MS. ANITA SOUTHALL: And I think I
23 understood your explanation in direct, but for -- for the
24 record, the retention payments are intended to -- to the
25 extent that the capital pool is eroded, they make whole

1 the capital pool. Is that correct?

2 MR. RANDY SCHIFFNER: That's correct.

3 MS. ANITA SOUTHALL: And they provide, in
4 addition to that, for the return on interest of 24 percent
5 to Assistive Financial?

6 MR. RANDY SCHIFFNER: They don't. It's on
7 the money that's out there earning interest.

8 MS. ANITA SOUTHALL: I -- maybe you
9 misunderstood my question. But you confirmed that the
10 retention payments are paid by Rentcash to return the
11 capital that is eroded by default on loan, correct?

12 MR. RANDY SCHIFFNER: Correct.

13 MS. ANITA SOUTHALL: And a second aspect
14 of the retention payment being made is so that Assistive
15 Financial will recover 24 percent interest on the monies
16 that have been loaned through Rentcash.

17 Is that also correct?

18 MR. RANDY SCHIFFNER: I'm not sure I
19 understand that question, because if the loan is out
20 there, it's earning interest. And Rentcash -- we've
21 supplied the money so Rentcash is just a broker piece. So
22 I'm not sure where that question is going.

23

24 (BRIEF PAUSE)

25

1 MS. ANITA SOUTHALL: Sir, the question was
2 directed to understand the role of the retention payments
3 in terms of the return to Assistive Financial and, in
4 turn, to its group of capital lenders.

5 So is a portion of the retention payment
6 being paid to return to Assistive Financial a suitable
7 rate of return? I take from your evidence that rate to be
8 24 percent.

9 MR. RANDY SCHIFFNER: That's correct, as
10 long as we keep the principal whole. And that's where the
11 retention payment comes into play. And it's all on a
12 voluntary basis, because if all of a sudden we start
13 collecting more, their retention payments go down.

14 So it's all on a voluntary basis.

15

16 (BRIEF PAUSE)

17

18 MS. ANITA SOUTHALL: So just following
19 through, sir, in -- in a month -- in one (1) specific
20 month if 100 percent of the loans are collected at a 59
21 percent interest rate, is the full return of the capital
22 and the 59 percent interest returned to Assistive
23 Financial?

24 MR. RANDY SCHIFFNER: That's correct.

25 MS. ANITA SOUTHALL: And is there any kind

1 of annual reconciliation with respect to the retention
2 payments? In other words, over a year if Assistive
3 Financial has received more than it -- it -- under your
4 agreement with Rentcash than it would otherwise be
5 entitled, there's some sort of reconciliation and payment
6 back to Rentcash?

7 Or is that possible?

8 MR. RANDY SCHIFFNER: No, because it's all
9 voluntarily given. So it's given at that month and it is
10 Assistive's money to top up their principal.

11

12 (BRIEF PAUSE)

13

14 MS. ANITA SOUTHALL: So then just -- just
15 for the last piece of that, if -- pardon me, the retention
16 payments are -- are to the extent that they're going to be
17 paid -- and I understand your comment that they're
18 voluntary -- but to the extent they're going to be paid,
19 they're paid monthly, correct?

20 MR. RANDY SCHIFFNER: Correct.

21 MS. ANITA SOUTHALL: And so in a given
22 year Assistive Financial could be earning more than the 24
23 percent interest that you've indicated is -- is the
24 average, is that true?

25 MR. RANDY SCHIFFNER: It could be

1 possible, yes. But in the past twenty-four (24) to
2 thirty-six (36) months, it hasn't been. And if there was
3 any extra in that month, we just put it into the reserve,
4 because nine (9) out of ten (10), it's going to be used up
5 in the following month.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: Mr. Schiffner, when you
10 are talking about losing the 35 percent, I do not know if
11 there is, perhaps, some -- just so that we understand it,
12 when you say you are losing 35 percent, you are not
13 actually losing 35 percent of the 59 percent interest.

14 It just works out to be thirty-five (35),
15 because the loans that are not being paid include
16 principal and interest.

17 MR. RANDY SCHIFFNER: That's correct.

18 THE CHAIRPERSON: That's why, for example,
19 someone could collect 90 percent, and the other 10 percent
20 that doesn't come in, obviously, would add the principal
21 to it. So it could be a significant percentage of the
22 overall proceeds.

23 MR. RANDY SCHIFFNER: That's correct.

24 You've got it.

25

1 (BRIEF PAUSE)

2

3 CONTINUED BY MS. ANITA SOUTHALL:

4 MS. ANITA SOUTHALL: Sir, if I could ask
5 you to turn to Tab 2 in the materials. And this document
6 is Assistive Financial's first round responses to
7 Information Requests. And if you could turn, please, to
8 page 2.

9 And looking at the first paragraph, which
10 would be the -- the answer that commenced on the page
11 before, but I -- but I just wanted to direct you to a
12 specific comment in that answer at the top of page 2.
13 Assistive Financial makes the comment:

14 "By separating fees that brokers charge
15 to customers from interest on loans,
16 such arrangements fall within limits on
17 interests that are legally prescribed."

18 Do you see that, sir?

19 MR. RANDY SCHIFFNER: I do.

20 MS. ANITA SOUTHALL: And could you explain
21 what you mean by that statement?

22 MR. RANDY SCHIFFNER: I think what we were
23 trying to explain is that our interest rate at 59 percent
24 is under -- under the legal limit.

25 MS. ANITA SOUTHALL: And are you referring

1 specifically to the 60 percent Criminal Code legal limit?

2 MR. RANDY SCHIFFNER: That's correct.

3

4 (BRIEF PAUSE)

5

6 MS. ANITA SOUTHALL: I understand from
7 reviewing Rentcash's material, sir, that Rentcash charges
8 an administrative fee on default of a hundred dollars
9 (\$100). Do you know that to be the case?

10 MR. RANDY SCHIFFNER: I do not.

11 MS. ANITA SOUTHALL: The reason I'm
12 sharing that information with you from Rentcash's
13 materials, sir, is -- is just to determine whether or not
14 Assistive Financial recovers any of that default fee that
15 is charged by Rentcash, if in fact Rentcash ultimately
16 collected it.

17 MR. RANDY SCHIFFNER: No, we do not. We
18 only get the interest portion of it.

19

20 (BRIEF PAUSE)

21

22 MS. ANITA SOUTHALL: Sir, you indicated in
23 your direct evidence today, and you've made it clear, I
24 believe, in your written evidence filed so far in your
25 position, that below some specified interest return, the

1 capital pool through Assistive Financial would dry up.

2 And I think today you've indicated probably
3 within a two (2) year -- well, I think today you may have
4 indicated within a two (2) year period, the capital would
5 be gone.

6 But in any event, you would pull out of the
7 market, or your lenders would not be interested in
8 participating.

9 MR. RANDY SCHIFFNER: That's correct.

10 MS. ANITA SOUTHALL: Is that level
11 somewhere below 24 percent? Are you able to identify what
12 the -- the absolute cutoff would be, to your knowledge,
13 today?

14 MR. RANDY SCHIFFNER: In today's
15 environment, that is our bottom line, because like I
16 stated earlier, is you can get first mortgages at 16 and
17 18 percent, so I have to pay 19 percent to get access to
18 that capital, because some investor would rather have a
19 first mortgage at 16 percent than a three hundred and
20 seventy-nine dollar (\$379) loan at 19 percent.

21 MS. ANITA SOUTHALL: And is the reason for
22 that that there is some security provided on the mortgage
23 registered against property? Is that why they may prefer
24 that to -- to this lending model?

25 MR. RANDY SCHIFFNER: Correct.

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: Now, sir, I -- I'm
4 going to take you to a couple of your written responses to
5 Information Requests if I could.

6 And first, if I could take you to Tab 2 of
7 the reference materials, please. And this is Assistive
8 Financial's -- I see that we're already there if your
9 binder's open the way mine is, sir.

10 If you could turn to page 15. At the top
11 of page 15, sir, is Assistive Financial's response to a
12 question posed by CPLA and reference CPLA/AF-1-1. The
13 question that was posed to Assistive Financial was:

14 "What is Assistive Financial Corp's
15 position with respect to the maximum
16 cost of credit or rate formula or tariff
17 to be fixed by the Board for determining
18 the maximum cost of credit that may be
19 charged, required, or accepted in
20 respect of a payday loan?"

21 And could you just read into the record
22 your response to that question, sir, if you have that in
23 front of you?

24 MR. RANDY SCHIFFNER:

25 "Assistive Financial Corp. does not

1 accept the assumption that underlies the
2 Information Request and denies that a
3 maximum cost of credit or rate formula
4 or tariff should be fixed."

5 MS. ANITA SOUTHALL: And, sir, if you
6 could turn to Tab 5, please, next. This is Assistive
7 Financial's response to the second round Information
8 Requests.

9 And specifically, if you could turn to
10 page 4 of the materials. This is the Board's follow-up
11 question to Assistive Financial referenced as PUB/AF-2-5,
12 and the question was:

13 "Please explain what is meant by the
14 response that AF does not accept the
15 assumption that underlies the
16 information request."

17 And can you read in your answer to that
18 question for the record, please?

19 MR. RANDY SCHIFFNER:

20 "The question presumes that a maximum
21 cost of credit or rate formula or tariff
22 should be fixed."

23 MS. ANITA SOUTHALL: Sir, does Assistive
24 Financial understand that the Board's mandate is to set a
25 maximum rate pursuant to the legislation?

1 MR. RANDY SCHIFFNER: Yes, we do.

2 MS. ANITA SOUTHALL: And I take it that
3 Assistive Financial is suggesting to the Board that it not
4 set such a rate?

5

6 (BRIEF PAUSE)

7

8 MR. RANDY SCHIFFNER: Yeah, you ask an
9 opinion, we give you our opinion. We don't think there
10 should be a maximum. The market will determine where
11 it'll take you.

12 MS. ANITA SOUTHALL: Thank you, sir.

13

14 (BRIEF PAUSE)

15

16 MS. ANITA SOUTHALL: One final question,
17 Mr. Schiffner, in your rebuttal evidence you make specific
18 reference to schedule A banks and schedule B banks. Could
19 you just explain what you mean by those terms, perhaps
20 even just give a few examples of -- of what you mean in
21 reference to those terms?

22 MR. RANDY SCHIFFNER: A schedule A bank is
23 the Big Five. Schedule B would be Canadian Western, some
24 of the smaller, out-of-country banks that have moved into
25 Canada that have set up shop. That would be a schedule B.

1 MS. ANITA SOUTHALL: Are credit unions
2 within either schedule A or B under the descriptors that
3 are used for those?

4 MR. RANDY SCHIFFNER: They actually fall
5 outside of the bank, but they would be a B. I would put
6 them in a B category.

7 MS. ANITA SOUTHALL: Thank you, sir. Mr.
8 Schiffner, those are my questions, thank you for your
9 patience.

10 Mr. Chair, those are my questions.

11 THE CHAIRPERSON: Thank you, Ms. Southall.
12 Before we move on to the Intervenors then, we will just
13 take our lunch break now. So we will see you back at
14 1:15.

15

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

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

18

19 THE CHAIRPERSON: Okay, good afternoon
20 everyone. Welcome back for those who were here with us
21 this morning.

22 This afternoon we have presenters
23 scheduled. A number of them are already present, and the
24 rest apparently are on their way.

25 Now we will begin with the presenters.

1 First, is there a Scott Hannah here?

2 Oh, very good. Okay. He is President and
3 CEO of the Credit Counselling Society or the Nonprofit
4 Debt Solution Service.

5 So if you would like, sir, you can begin
6 at this time.

7

8 PRESENTATION BY MR. SCOTT HANNAH:

9 MR. SCOTT HANNAH: Thank you. The Credit
10 Counselling Society is a nonprofit organization that was
11 established in 1996 to assist people with money and debt
12 issues. We're licensed in all four (4) western provinces
13 and have been providing services to Manitobans for the
14 past two (2) years.

15 Our mandate is to educate Canadians in --
16 in the wise use of personal money management and credit
17 and to help individuals and families find solutions to
18 money and debt problems.

19 To date, we've helped a little over fifty
20 thousand (50,000) consumers with money and debt issues
21 and certainly have had a lot of experience in assisting
22 consumers with payday loan issues.

23 Over the past ten (10) years we've seen a
24 dramatic increase in the number of consumers who approach
25 us as a direct result of issues regarding payday loans.

1 The -- the Ministry of Public Safety in
2 gene -- and Solicitor General for BC struck a task force,
3 which we were -- which we participated on in the last ten
4 (10) years to provide them with -- with insight and --
5 and our experience of our clients with these financial
6 difficulties, as a result of payday loans.

7 We find that in Manitoba, while we have
8 only -- in helping Manitobans for the past two (2) years,
9 the problems are sim -- are similar to -- to what we've
10 seen in BC, Alberta, and Saskatchewan.

11 Our research shows that the -- the average
12 payday loan customer is -- is -- the most common reasons
13 for seeking assistance from a payday loan is while --
14 it's because of unexpected financial emergency,
15 overspending between paydays, discretionary personal
16 spending -- which may be from gambling or other means --
17 as well as no savings and minimal money management
18 skills.

19 The clients tell us the reason why they
20 chose a payday loan service over conventional financial
21 organizations is due to the fact that it's -- it's easy
22 to access, it's confidential, and also the fact that
23 those products and services are not offered by
24 conventional financial organizations.

25 Certainly, we've seen over the past few

1 years a trend where conventional financial institutions
2 may -- may close one (1) of the branch offices. And
3 payday loan companies may -- may spring up in their
4 absence.

5 We -- we also see that -- our records
6 reflect that the average payday loan customer is not the
7 average consumer on the -- on the marketplace.

8 It -- our records reflect that the average
9 consumer's income has an income of less than 20 percent
10 of the provincial averages. So it -- it tells us that
11 consumers with modest incomes are approaching us with
12 difficulties as a result of financial difficulties with
13 payday loans.

14 This makes sense. Obviously, consumers
15 with a high income level may be better able to manage
16 over the short-term, but certainly consumers with modest
17 incomes are more at risk to dealing with these issues.

18 We find that this high -- this high
19 demand, unfortunately, doesn't come with a lot of
20 education and that many consumers have come to us
21 surprised by the fact that if they fail to maintain or
22 repay the loan as per the terms of the agreement that
23 there are surprisingly high charges and interest costs
24 afterwards, which keeps consumers in debt for a long
25 period of time and exposes them to financial difficulty.

1 And looking at the trend, we -- we see no
2 signs of -- of conventional financial institutions coming
3 into the marketplace to -- to fill that void. Going back
4 quite some time, there was a Small Loan Act in many of
5 the provinces, but that's gone away because the
6 conventional lenders got out of that marketplace.

7 It wasn't a -- an area that they could
8 serve and I -- I suspect generate a surplus or a profit
9 on. And -- so we this, that the demand is increased and
10 conventional financial institutions are not going to fill
11 that void. So, therefore, the payday -- payday loan
12 industry is -- is here because of that demand.

13 And -- and while we believe it's -- it's
14 not reasonable to regulate against consumers who -- who
15 fail to manage their affairs in a responsible manner, we
16 feel there is a need to protect consumers from unsavoury
17 business practices that really can cause consumers long-
18 term financial harm.

19 We -- we applaud the -- the members of the
20 Canadian Payday Loan Association for establishing a code
21 of best business practices. It's a good start in terms
22 of how they conduct their services, and in particular,
23 believe that establishing standards that prevent or
24 eliminate rollovers, punitive collection practices, and
25 excessive fees will help address many of the problems

1 within this industry.

2 We find that for most consumers it's not
3 the fact that they're -- they're paying a fee for this
4 service. It's the ongoing charges due to the fact they
5 have not met the -- the original repayment terms that
6 cause consumers undue hardship long-term.

7 We believe as well, too, that there's a
8 need to establish a maximum, in terms of the maximum loan
9 amount, based upon the consumers' net take home pay.

10 We find that consumers who establish a
11 Payday -- or take out a payday loan, which may be in
12 excess of 50 percent of their -- of their net pay are
13 going to have difficulty repaying that debt within --
14 within a period of two (2) weeks or less.

15 And for many consumers faced with the --
16 with the challenge of having to pay a holdover fee or --
17 or collection fee, may seek out another payday loan from
18 another company as a result and now create one (1) or two
19 (2) payday loans.

20 When we first started seeing consumers
21 approach the organization with payday loan issues, we
22 would see most of these consumers coming to us with one
23 (1) or two (2) payday loans, where today it's not
24 uncommon for us to see consumers with five (5) or more
25 outstanding payday loans.

1 And at that point in time that person goes
2 from trying to resolve a short-term financial difficulty
3 to losing complete control of their paycheque.

4 We also acknowledge the fact that -- that
5 there are fees necessary to be charged by the payday loan
6 industry to cover their operating costs and that, from
7 our perspective, we believe that you can't look at this
8 in the same way you would conventional financial product,
9 because it's based on a much higher dollar amount.

10 And we suspect that the average consumer
11 accessing a payday loan may come to them with their
12 credit impacted or certainly be -- exposed more risk to a
13 conventional credit grantor than -- than when it come to
14 payday loan entities.

15 So, therefore, we believe that it's
16 important that -- that the rate that is set for the
17 payday loan industry is one that allows a -- a reasonable
18 business entity that is well run to make a reasonable
19 rate of return without endangering the consumers'
20 financial circumstances long term.

21 And we also recognize, too, that -- that
22 this demand -- that they do fill a void and that for many
23 consumers who may be faced with a short-term money
24 crunch, whether it's being falling short on -- on your
25 loan or unexpected car repairs, that it may represent a

1 good alternative to help them solve a problem and save
2 their costs long term.

3 It's the consumers who stay in payday loan
4 debt are the ones who are exposed to financial
5 difficulty, not the short-term ones who are in, perhaps,
6 once or twice a year.

7 We have examined the report prepared by
8 Lawrence Gould (phonetic) on behalf of the Canadian
9 Payday Loan Association and -- and his recommendations to
10 set a flat fee per hundred dollars (\$100) of payday
11 loans.

12 Having looked at the experience of our
13 clients who have come to us with financial difficulties
14 as -- as a result of payday loans, we -- we support that
15 avenue.

16 We believe -- we believe that most
17 consumers are made aware of the fact that they're taking
18 out on -- on average a three hundred dollar (\$300) payday
19 loan and may pay sixty dollars (\$60) for that.

20 While that's a relatively high cost, that
21 cost of sixty dollars (\$60) itself is unlikely to put
22 that person into long-term financial difficulty.

23 It's the fact that those individuals in
24 the past may have paid a rollover fee or an ongoing --
25 charges. Those are the consumers who are facing

1 financial difficulty.

2 We -- we also support that for many
3 consumers, it may make sense to -- if they require a -- a
4 multiple payday loan, that it's probably better coming
5 from the same source as -- as opposed to having that
6 consumer outsource multiple payday loans from different
7 entities. So that by have -- going to one source,
8 setting a limit as to what they can borrow would likely
9 put that person in a better position financially and give
10 that person an opportunity to work with that company if
11 they can't fulfill the payday loan with its original
12 terms.

13 So we believe that the -- the structure
14 that has been proposed by the -- the Association of
15 twenty (20) to twenty-three dollars (\$23) per hundred
16 dollars (\$100), while it is a high cost -- no question
17 about that -- it would allow competition within the
18 industry, which we believe is important, as opposed to
19 setting the limit at such a low rate that you would have
20 virtually a monopoly in the industry.

21 And we believe that it's important to have
22 competition, innovation, and allow market forces to -- to
23 prevail, which would ensure that consumers would be able
24 to access the lowest cost and best service provider.

25 And that -- in -- under that -- we believe

1 that consumers would be better protected than by lowering
2 the fees dramatically and perhaps driving the majority of
3 -- of reasonable businesses out of business and having
4 that business go underground.

5 Certainly, over the years we've -- we've
6 had many clients exposed to -- we'll call them loan
7 sharks if you like. And -- and our advice for those
8 consumers is always the same, please pay that above
9 everyone else, for your own physical well being. So
10 certainly, we wouldn't want to see this industry driven
11 down to that effect.

12 It's difficult to manage. So by having
13 regulations that are reasonable, where it allows
14 reasonable entities provide a service and at the same
15 time protect consumers, we believe this would be the best
16 of both worlds by providing that balance. Thank you.

17 THE CHAIRPERSON: Thank you, Mr. Hannah.
18 Just so we understand the Credit Counselling Society, how
19 do you operate? Where do you receive your revenue from?

20 MR. SCOTT HANNAH: Most -- our funding
21 comes from four (4) sources. It comes from the business
22 community, the credit-granting community, our consumers
23 who seek our -- our formal assistance to reorganize their
24 debts under a debt repayment program.

25 We are part of a national association that

1 has an accreditation in place so it ensures that the
2 information and advice that we provide consumers is
3 objective. Obviously, we -- we recommend our -- our
4 clients take responsible action.

5 But we do not take our marching orders
6 from anyone. We're run by a volunteer board of directors
7 that steers the organization.

8 THE CHAIRPERSON: I understand from what
9 you are saying that one of your concerns are is if the
10 Board sets a maximum, that it is too low and the result
11 is that some of the Payday lenders exit the market, that
12 the lending will continue, but let us put it so -- you
13 call them sharks.

14 MR. SCOTT HANNAH: That's a real concern.
15 I know the legislation doesn't address Internet payday
16 loans. And certainly that's -- that's another challenge
17 for -- for all provincial governments. And that is a
18 concern.

19 We believe that having a competitive --
20 competitive environment. That doesn't mean that the rate
21 should be set so high that it allows inefficient
22 organized to operate. It should be set at a rate that
23 allows a reasonable entity to operate, and I suspect it
24 would be easier to regulate.

25 THE CHAIRPERSON: Do you have any

1 particular view as to the two (2) models that seem to be
2 operating? One being the Payday lender is actually the
3 lender and the other ones that are operating in a
4 brokerage type of operation?

5 MR. SCOTT HANNAH: From our perspective
6 it's -- we -- the brokerage operation is -- is a little
7 more challenging to look at. We prefer that direct
8 payday loan provider.

9 We think it's clearer for the consumer.
10 Certainly we've seen our -- our clients who have gone to
11 one entity -- or so they thought, only to find out
12 they've been dealing with a broker -- have had additional
13 challenges, communication problems.

14 THE CHAIRPERSON: If you were talking
15 about some of your consumer people that you were dealing
16 with that, say, ends up with four (4) or five (5)
17 different loans, how do they repair their situation?

18 MR. SCOTT HANNAH: For some of those
19 consumers it's -- they repair it through personal
20 bankruptcy. In some cases we've been able to assist
21 those consumers by reorganizing their debts and gaining
22 the cooperation of those pay -- those payday loan
23 companies to cease charging all collection and interest
24 fees so that their customers are able to repay the
25 principal amount of the debt.

1 We've found in the past that in many cases
2 the difficulty was in obtaining factual information
3 regarding the amount of the debt. And in some cases if
4 those entities couldn't produce it, we encouraged our
5 clients to challenge them legally.

6 And we found that in most cases the --
7 those credit -- those payday loan companies drop their
8 collection activities.

9 THE CHAIRPERSON: What is your view of
10 ancillary type services, such as loaded debit and credit
11 cards, insurance, and things of that nature?

12 MR. SCOTT HANNAH: I don't believe
13 there's a -- in terms of the insurance that's necessary,
14 it's protecting the debt of the consumer.

15 With respect to the loaded cards
16 themselves, I can appreciate that it offers the consumer
17 some -- some protection. It's not wise to go into a
18 payday loan entity and receive a sum of money late at
19 night.

20 However though, I think it's important if
21 that -- if that consumer receives a loaded debit card for
22 three hundred dollars (\$300) that they should be able to
23 access the full three hundred dollars (\$300), not a
24 portion of it.

25 THE CHAIRPERSON: Would you explain that

1 please?

2 MR. SCOTT HANNAH: Well we've seen in
3 some situations where our clients tell us that once the -
4 - the debit card gets down to a specified amount, twenty
5 dollars (\$20) or less, that they can't access that
6 amount.

7 So in essence, they really haven't
8 received a -- a loan for full face value. It's been for
9 less than 100 percent of the loan.

10 THE CHAIRPERSON: Thank you, Mr. Hannah,
11 we appreciate your coming in and presenting to us. Thank
12 you very much.

13 MR. SCOTT HANNAH: Thank you.

14 THE CHAIRPERSON: The next one on the
15 list is Mr. John Silver, who is the Executive Director,
16 Community Financial Counselling Services Inc. That is a
17 Winnipeg outfit, I understand?

18

19 PRESENTATION BY MR. JOHN SILVER:

20 MR. JOHN SILVER: Yes. Thank you.
21 Community Financial Counselling Services, CFCS, has more
22 than thirty (30) years experience in helping to meet the
23 complex and often unique needs of individuals, couples,
24 and families in Manitoba who are experiencing financial
25 challenges.

1 Community Financial Counselling Services
2 was established in 1974 as a nonprofit corporation and is
3 registered with Canada Revenue Agency as a charitable
4 organization.

5 Responsibility for the operation of CFCS
6 rests with a voluntary board of directors drawn from the
7 community, who serve without remuneration. CFCS is a
8 member agency of the United Way of Winnipeg and also
9 receives funding from the Department of Finance, Province
10 of Manitoba.

11 In addition to its role as a financial
12 counselling service open to all Manitobans, as a publicly
13 funded community governed agency, Community Financial
14 Counselling Services is uniquely positioned to address
15 the needs of our more vulnerable and high-risk population
16 such as youth, seniors, lower income, mentally
17 challenged, and problem gamblers.

18 CFCS receives funding from the Manitoba
19 Lotteries Commission and works in partnership with the
20 Addictions Foundation of Manitoba to address financial
21 issues related to problem gambling.

22 We are able to take the time to provide
23 comprehensive financial counselling that takes into
24 consideration the individual or families' other concerns,
25 to partner with other agencies and organizations in order

1 to provide more integrated service, and to focus some
2 attention on community education and professional cross-
3 training that increases the preventive nature of
4 financial counselling and debt management.

5 CFCS provides counselling to some eight
6 hundred (800) individuals and families each year and
7 workshops and seminars on financial and credit management
8 to thousands more.

9 We have an average of a hundred and
10 thirty-five (135) enrollees in our licensed debt
11 management program at any given time. Twenty-five (25)
12 percent of those individuals and families have
13 outstanding loans to payday lenders, ranging in amounts
14 from several hundred to several thousand dollars. The
15 higher amounts are most often found with problem
16 gamblers, or where gambling is involved.

17 Approximately half of our payday borrowers
18 have more than one (1) outstanding loan from the same or
19 multiple payday lenders. The number of loans per client
20 ranges from two (2) to eight (8) concurrent payday loans.

21 We have noted that our clients with
22 outstanding payday loans are almost twice as likely to
23 fault on their payments and/or to not complete our debt
24 management program.

25 We attribute this to some degree to the

1 higher risk, more vulnerable populations that often use
2 payday loans, or at least have come to us after using
3 payday loans.

4 Now the following comments and suggestions
5 briefly touch upon issues that are based upon our
6 experience with clients involved with Payday lenders.
7 They may not all fall within the purview of these
8 Hearings, that some may be covered under the Act and the
9 Planned Regulations. But we're raising them here to
10 illustrate the range of interventions needed and to
11 underscore our concerns -- is rollover in replacement
12 loans.

13 We see a lot of evidence that people who -
14 - who, when unable to meet obligations as scheduled, is
15 for -- is for payday loan companies to rollover existing
16 loans. The original loan amount plus interest is
17 combined with an additional amount to form a new loan.

18 We've seen examples of this being repeated
19 several times, thus increasing the clients indebtedness
20 exponentially. The fixed interest rate is not increased,
21 therefore not contravening the current Act in that
22 regard.

23 And although the legislation may intend to
24 disallow rollovers, there needs to be regulations in
25 place to regulate repeat borrowing, that is to

1 successively take out payday loans to meet basic
2 financial needs and/or to repay other loans.

3 Repetitive borrowing over an extended
4 period of time simply defeats the short-term aspect of
5 Payday lending.

6 Loan shopping and the -- the sort of the
7 interdependence -- independence of payday lender
8 franchises, and I mentioned this briefly. There appears
9 to be -- there's no communication or coordination of
10 service between payday lenders or among the many
11 different locations of multi-location payday lender
12 operations.

13 And while rollover replacement loans may
14 be regulated, there remains the possibility that
15 consumers can access concurrent and/or consecutive loans
16 from different payday lenders and/or separate locations
17 of the same pay -- payday lenders. This speaks to the
18 two (2) to eight (8) loans that most of the people we see
19 have.

20 Consumers' total loan amounts and interest
21 payments could be well in excess of that allowed --
22 allowed in terms of the -- of the loan amount duration
23 and interest rate.

24 Upon default, individual payday lender
25 franchisers will forward loans to their head offices for

1 collections or to brokers. And we too have found
2 significant difficulty in tracing back loans for
3 individual lenders because they are often not -- not
4 documented.

5 Preauthorization for payment has also been
6 a problem. In most cases payday loan companies will
7 require a cheque in the amount of the loan repayment
8 dated for the loan due date. The client can cancel their
9 cheque or incur NSF charges should funds not be able to
10 pay -- to repay the loan on that date.

11 However, we have dealt with instances
12 where payday loan clients have been required to provide a
13 void cheque and authorize the payday loan company to
14 directly debit their account in the amount of the loan.
15 This will -- this has allowed payday loan companies to
16 continually withdraw funds until the loan has been
17 totally repaid. I know, perhaps, the banks -- there are
18 banking regulations against this, but it's often
19 overlooked.

20 Clients will have their bank accounts
21 emptied and left -- and be left unable to meet their
22 basic needs and/or default on other payments they have
23 because their -- their money's been gone to the payday
24 loan company.

25 Security and title loans -- and contrary

1 to the intent of payday loans, and I guess the current
2 Act, we have seen examples where clients have been asked
3 for security and had property registered with provincial
4 property registry against their payday loans.

5 And as I mentioned, documentation has been
6 an issue, in terms of being able to track payday loans
7 back to their source and to -- as Scott had mentioned --
8 to even validate that they're actually -- a payday loan
9 actually exists.

10 Voluntary wage assignment -- our clients
11 have been asked to sign voluntary wage assignment
12 documents as a part of their loan repayment agreements.
13 payday lenders have sent voluntary loan agreements to
14 employers, implying that there's an obligation on their
15 part to comply.

16 And it is important that in -- clients and
17 employers be made aware that this -- this is not
18 permissible under the new regulations.

19 Misleading and intimidating correspondence
20 -- we've had examples of default loan collection letters
21 being -- by -- sent by payday loan lenders or their
22 representatives that range from the misleading to the
23 intimidating, which includes a threat of wage
24 garnishment, threat of legal action on the basis of a --
25 of a payday loan in -- in the Court of Queen's Bench, and

1 even -- and I'm not sure what this means -- an excerpt
 2 from the Bill of Exchange Act, which I'm not sure that's
 3 meaningful at all, but it certainly frightens our
 4 clients.

5 As was mentioned, loan protection plans --
 6 insurance policies are being offered to payday lenders
 7 for loss of injury, life, job loss, et cetera. The
 8 additional premium costs -- I mean if these are -- are
 9 worthwhile -- must be included in all the information
 10 regarding the cost of the loan and should be included in
 11 the -- in the -- in the total fee structure.

12 As well, we question the cost benefit of
 13 such a polic -- policy for a loan that should be repaid
 14 within sixty-two (62) days.

15 The penalties within the regulations, we
 16 believe, must be sufficient to deter payday lenders and
 17 to counterbalance the profits that they must be making
 18 from -- from the interest charged.

19 Payday lenders are often dealing with
 20 financially or socially vulnerable members of our
 21 communities, such as the working poor and those on income
 22 assistance, disability payments, pensions, and other
 23 fixed incomes.

24 The investigative process, sanctions,
 25 fines, and penalties should keep in mind the harm and

1 suffering that can occur in a relatively brief time to
2 this population as a result of the financial problems
3 caused by the actions of payday lenders.

4 Fees -- payday loans usually include a
5 variety of fixed and variable fees that may or may not be
6 tied to the loan amount and are not always disclosed
7 prior to signing the loan. These fees can be as much as
8 or greater than the interest on the loan.

9 Simple, clear information must be made
10 available to all clients as to their total cost of the
11 loan, including the fees. This information should be
12 presented in a way that allows clients to compare loan
13 costs across payday loan companies and with other types
14 of loans. The total cost of the loan must be taken into
15 consideration when setting rates of return.

16 Online payday loan companies -- simple
17 Internet search for "online payday loans" will bring two
18 hundred and thirty-six thousand (236,000) hits --
19 websites.

20 Now, not all of those are for payday loan
21 companies. Thousands do promise immediate funds by
22 direct deposit to anyone with an email address, a bank
23 account, and stated employment.

24 Most of these websites appear to be --
25 represent out-of-province/out-of-country providers. And

1 it's my understanding that these will not be cother --
2 covered under the new Act and regulations so that it is
3 creating, I think, just as much difficulty for our
4 clients.

5 So then what I'm saying is it is important
6 that the interest rate and fees set by the Public
7 Utilities Board be obviously more than competitive, on
8 behalf of the consumer, to encourage use of regulated
9 payday lenders rather than website payday lenders.

10 Now, on a positive note, despite all of
11 these concerns, our experience with payday lenders has
12 not all been negative. We have found them, relative to
13 many other primary and secondary lending institutions, to
14 be cooperative with regard to negotiating and agreeing to
15 repayment schedules for our clients who have defaulted on
16 their loans.

17 We have found most payday lenders willing
18 to drastically reduce or remove entirely the interest
19 rate on a loan once the individual has entered into a
20 formal debt management program. At this time our clients
21 are repaying payday lenders from zero to 5 percent
22 interest on their repayment schedules.

23 And this is wonderful. And we certainly
24 hope that this is simply not a reflection of the amount
25 of money they're making on people who do not default on

1 their loans.

2 And I just wanted to say in closing a few
3 words on debt in Canada and how this affects -- the
4 Canada's debt to income ratio continues to rise to
5 unprecedented levels at the same time as our saving rates
6 decline.

7 The average Canadian household now owes
8 more than its annual take-home pay in debt. We carry
9 seventy-four (74) million credit cards, three for every
10 Canadian over the age of eighteen (18). Students are now
11 graduating University with an average debt of \$25,000.

12 And since, 1984 Canadians' personal debt
13 has increased from \$187 billion to \$801 billion.

14 Retail consumer credit offerings, the
15 bail-out of some one hundred and eighty-four (184)
16 million credit card applications to Canadians each year,
17 buy-now-pay-later plans, and our increasing unchecked
18 consumerism will ensure that debt continues to be a
19 growth industry.

20 There are close to fourteen hundred
21 (1,400) payday loan locations across Canada, an estimated
22 sixty-six (66) in Manitoba, the majority centred in
23 lower-income areas of Winnipeg.

24 This does not include the myriad of
25 Internet payday loan vendors, where applications are

1 completed online and cash -- cash received via direct
2 deposit. The popularity and proliferation of payday
3 lenders is testament to their filling their need in
4 society.

5 Payday loans are not the only factor in
6 this regard. They are simply the tip of the iceberg. As
7 I said, retail credit cards and secondary lenders with
8 relatively high -- with relatively high interest rates,
9 buy-now-pay-later plans, where interest is accrued the
10 moment the balance is not paid in full, all contribute to
11 the financial exploitation of consumers without access to
12 other forms of credit or a full understanding of the
13 consequences of the credit agreement they are entering
14 into.

15 It points to the need for the systemic
16 changes in our mainstream financial services that would
17 provide for the needs of under banked, the unbanked and
18 those whose financial history, cultural background,
19 socioeconomic status or financial requirements make
20 access to mainstream financial services difficult.

21 It also underscores the need for formal
22 education in basic financial management and the use of
23 credit, beginning in our school system. Neighbourhood
24 access to more mainstream banks and credit unions, credit
25 and savings schemes that address those -- these specific

1 needs, partnered with credit and financial counselling
2 services are needed to break the cycle of debt that many
3 find themselves in. Thank you.

4 THE CHAIRPERSON: Thank you, Mr. Silver.
5 You indicate that your organization has been around for
6 thirty (30) years, so --

7 MR. JOHN SILVER: Yes.

8 THE CHAIRPERSON: -- what did the
9 population do before the payday lenders?

10 MR. JOHN SILVER: Well, we started out
11 offering low-cost personal income tax payment to offset
12 the tax discounters in the lower 70s. And we did that
13 until regulations were break -- were brought in to -- to
14 deal with that particular issue.

15 And as I said, payday lenders make up only
16 25 percent of the people we see who are in debt. So
17 there's, as I mentioned, the majority of people we see
18 have debts for reasons by way of credit card debt,
19 mortgage, bank loans, other forms of credit.

20 THE CHAIRPERSON: And gambling?

21 MR. JOHN SILVER: Yes, gambling is -- is
22 one which we have recently become directly involved in.
23 And it's a -- it's a growing part of our population.

24 Gamblers are -- are frequent payday lenders
25 as far as we can see, because it is a quick-and-easy way

1 to -- to get funds when you've maxed out your -- your
2 credit cards.

3 THE CHAIRPERSON: What would you have the
4 mainstream financial institutions, as you called them --
5 the banks and the credit unions -- do differently than
6 they're doing now?

7 MR. JOHN SILVER: Well, they could move
8 back into some of the communities that they've moved out
9 of. I mean there's -- there's these very large, one-stop
10 shops that are usually that -- that have been built around
11 maj -- in major shopping areas and in the -- many low
12 income areas there are no branches. And I think that --
13 that banks must start to look at small, shorter-term loans
14 for some of their customers.

15 And I think that if -- if they found ways
16 to deal with -- more readily with new income immigrants,
17 with people who have not -- have difficulty with -- with
18 banks proba -- possibly, have no -- have difficulty with
19 identification, that they might offset some of the payday
20 lenders.

21 THE CHAIRPERSON: Are there other
22 organizations like yours operating in Winnipeg?

23 MR. JOHN SILVER: Well the -- the
24 organization that presented just prior to us does much the
25 same work as -- as we do. And there's -- we're the only

1 one (1) -- the only other nonprofit financial counselling
2 centre.

3 THE CHAIRPERSON: Do you advertise your
4 services extensively?

5 MR. JOHN SILVER: This agey -- agency
6 hasn't advertised its services extensively, publicly. The
7 majority of our clientele come from -- actually come from
8 other social service agencies, where we will deal with the
9 financial aspects of people with a -- a series of
10 problems.

11 THE CHAIRPERSON: Is your -- is your
12 caseload growing?

13 MR. JOHN SILVER: Yes, it is. It's grow -
14 - it's as I said, our licenced debt management program
15 averages about a hundred and thirty-five (135), and that's
16 increased by thirty-five (35) in the past year. So it's
17 growing quite considerably.

18 MS. SUSAN PROVEN: I -- I think that it is
19 mandated, isn't it, that when you go into personal
20 bankruptcy you need to see someone like yourself?

21 MR. JOHN SILVER: We don't --

22 MS. SUSAN PROVEN: Do you get referrals
23 from them?

24 MR. JOHN SILVER: Yes, we do. We don't do
25 bankruptcy. We're -- we're not trustees in bankruptcy.

1 So we will refer people -- if bankruptcy seems to be the
2 best option for somebody, we refer them to a bankruptcy
3 trustee.

4 And often bankruptcy trustees who see that
5 somebody has other options will refer people to us.

6 MS. SUSAN PROVEN: What I was asking
7 though is that when a person declares personal bankruptcy,
8 I think it --

9 MR. JOHN SILVER: Yes.

10 MS. SUSAN PROVEN: -- I think there's some
11 kind of a mandate that they have to go to counselling.

12 MR. JOHN SILVER: Yes, they do.

13 MS. SUSAN PROVEN: And I'm asking you if -
14 - if you would get those referrals.

15 MR. JOHN SILVER: No, we don't get those
16 referrals. They generally go to a trustee in bankruptcy
17 for that counselling.

18 MS. SUSAN PROVEN: Okay.

19 THE CHAIRPERSON: In those cases the
20 person has to pay a fee to the trustee, correct?

21 MR. JOHN SILVER: Yes. We charge no fees.

22 MS. SUSAN PROVEN: Okay.

23 THE CHAIRPERSON: Okay, thank you, Mr.
24 Silver. We appreciate your attendance and presenting to
25 us. Thank you very much.

1 MR. JOHN SILVER: You're welcome.

2 THE CHAIRPERSON: And now there are others
3 that will come in, but I will follow the order that were
4 available when we started meeting this afternoon.

5 There is a Ms. Crystal Laborero -- you'll
6 have to pronounce it for me -- and a Mr. Rob Valentine,
7 CEO of Aski Financial.

8 MS. CRYSTAL LABORERO: It's Crystal
9 Laborero.

10 THE CHAIRPERSON: Thank you.

11

12 PRESENTATION BY MS. CRYSTAL LABORERO AND MR. ROB
13 VALENTINE:

14 MS. CRYSTAL LABORERO: Thank you very much
15 for the opportunity to present today. I'm the CEO of Aski
16 Financial, and my colleague Rob Valentine, has joined me.
17 He's also a board member of our organization as well as a
18 major shareholder of Aski Financial.

19 I'm going to start off by just talking a
20 little bit about our organization. We're fairly new.
21 We've only been in existence for one (1) year.

22 We service communities across the Province,
23 and I'm going to tell you who we are and how we deliver
24 service. And Rob's going to talk to you about why we're
25 delivering that service and -- and how important we are to

1 the partners in this Province.

2 Aski Financial is an Aboriginal led and
3 driven financial services company. We work for and with
4 Aboriginal people in this Province. We're not a
5 traditional financial services in the sense that we do not
6 have a retail centre.

7 A lot of our interactions with our clients
8 is through telephone, fax, initial meetings, maybe in
9 First Nations communities but not a traditional building.

10 Aski Financial brings its services directly
11 to our customers throughout the Province and presently we
12 have forty (40) partners across -- across the Province.
13 We specialize in serving Aboriginal owned and led
14 businesses, which also include First Nation bands
15 associations and organizations.

16 Our -- our services include tax
17 preparation. We do have the reloadable debit cards. We
18 have an education awareness component. And of course, we
19 also have -- we call them employer benefit loans, which
20 you have termed payday loans. We have a short-term and
21 long-term loans.

22 So the reason we are here is because that
23 we want to explain and talk about our unique situation in
24 terms of the market that we serve, as well as the
25 uniqueness in terms of how we operate.

1 We are -- our employer benefit loan --
2 basically how it works is when we sign on an employer as
3 an employer partner, what that entitles the employees of
4 that employer are now eligible, all of the full-time
5 employees are now eligible to use our employer benefit
6 lending.

7 When they use the employer benefit lending,
8 they are able to borrow funds from us rather than borrow
9 from their employer, that type of thing. They are able to
10 borrow funds from us anywhere up to ten (10) weeks. We
11 track for the employees -- sorry, we track for the
12 employers the number of employees that may be borrowing at
13 any time, and then on a bi-weekly basis we invoice them
14 for the dollar amount.

15 So if there's ten (10) employees that
16 represent maybe ten thousand dollars (\$10,000) in loans,
17 we'll invoice the employer for ten thousand dollars
18 (\$10,000). And then our repayment process is by which the
19 employer does payroll deductions and -- and issues one (1)
20 payment to our institution, which we then credit to
21 individual borrowers.

22 We do not have any rollovers, we do not
23 have any replacements loans. We're very straightforward,
24 one (1) loan per customer. And it's -- it's a very unique
25 situation that works specifically for our market. But I

1 think I'm going to turn that a little bit over to Rob to -
2 - to tell you more about our unique environment.

3 MR. ROB VALENTINE: Thank you, Crystal.

4 Good afternoon, ladies and gentlemen. Mr name is Rob
5 Valentine. I'm the chief operating officer for Tribal Wi-
6 Chi-Way-Win Capital Corporation, TWCC. I'm appearing
7 before you today as one of the board members for Aski
8 Financial.

9 Aski Financial is here to meet needs in the
10 marketplace. Specifically, to address a gap that exists
11 in that marketplace. That gap is in the -- is in the area
12 of financial services for Aboriginal people, specifically
13 First Nations. In Manitoba there are sixty-three (63)
14 First Nations, nineteen (19) of which are remote or
15 isolated.

16 They don't have all-weather road access,
17 which compounds the problem. There's a lack of
18 infrastructure in our communities, certainly a lack of IT
19 infrastructure, information technology. The things
20 perhaps the rest of us take for granted around the
21 Internet and email. Some of our communities still don't
22 have that.

23 That is catching up, though, but that's
24 another discussion. There is also a lack of history, a
25 lack of awareness, and, therefore, a lack of options for

1 our people. This increases the reliance of our people on
2 nonbank entities like payday lenders, or groups like the
3 northern stores, or in some cases, even their employers.

4 In many cases, the employers tend to be all
5 things to their -- to our people. They will provide the
6 short-term financial services. And that's a big challenge
7 for First Nations employers and groups on reserve because
8 of the fact it -- it ties up funds that they otherwise
9 need and exacerbates their -- the financial pressures of
10 those employers and First Nations.

11 So certainly that is part of the reason for
12 -- for us offering Aski financial as an alternative for
13 our people. But this is something that it's not the first
14 time this has been done, and perhaps I can share with you
15 the -- the history of TWCC of Tribal Wi-Chi-Way-Win
16 Capital Corporation.

17 We are a developmental lender. We began in
18 1993 with the help of Industry Canada through Aboriginal
19 Business Canada. The -- the primary goal of an Aboriginal
20 Capital Corporation of which we are, the idea would be --
21 the idea would be is that we would lend into the
22 marketplace for commercial, youth, and agricultural loans
23 and that our clients over time would develop a credit
24 history and migrate to the larger financial institutions.

25 What we have found is that model hasn't

1 necessarily followed suit. At TWCC, we have done that, I
2 think, fairly well since 1993, and an initial
3 capitalization of \$7 million, we've lent that our four and
4 half (4 1/2) times to over \$30 million for hundreds of
5 clients, primarily on reserve here in Manitoba.

6 We have progressed from being a
7 developmental lender, which has to price a little bit more
8 because of the risk profile of many of our -- our first
9 time clients, but our clients are returning to us time and
10 time again. Instead of being developmental lenders we are
11 becoming preferred lenders.

12 The challenge because of the risk profile
13 and the fact that we don't get any operating assistance at
14 TWCC that we have to -- we have to price accordingly;
15 recognize this in around 2000, our Board of Directors
16 mandated the organization to -- to diversify our
17 operations, to seek to diversify as a means of
18 repatriating that profit to offer preferred rates for
19 preferred clients.

20 As such, we have launched Aski Financial
21 last October. We are looking at further integrate --
22 further integration into the personal financial services
23 marketplace in the area of transactions, or perhaps
24 greater personal lending, perhaps longer term, And we are
25 currently exploring market housing on reserve. I'd like

1 to thank you for your time.

2 MS. CRYSTAL LABORERO: I just wanted to
3 say just in quick closing, we just wanted to leave a few
4 thoughts because we are very much welcoming the -- the
5 pending legislation. We realize probably 50 percent or
6 more of our clients, we wouldn't be required to fall
7 within legislation, but we do have a few that we are going
8 to.

9 And I think the other thing that we feel
10 that we want to leave is how important -- and I'm using
11 the term that you've used and that we've heard here today
12 around wage assign -- wage assignment -- but the -- the
13 way in which we operate that is not only a necessity of
14 our organization, but it's a necessity of the communities
15 we serve, and it's a necessity of the citizens of those
16 communities, because of the geographic location. And
17 because of where they're located with lack of
18 infrastructure, this has been the only mechanism that
19 we've found that we can use to service the people in those
20 communities. So I just wanted to leave with that final
21 thought.

22 THE CHAIRPERSON: I'm just looking for
23 some areas that would distinguish you in your short term
24 lending, we'll say from some of the other lenders that are
25 self-described as being if you like high-cost lending.

1 What would be -- how do you price your
2 loans to the employees of these companies?

3 MS. CRYSTAL LABORERO: We're right --
4 sorry, we're right on that -- we're right on the cusp,
5 right on the minimum. So we are at the -- the 60 percent.
6 We -- our loans are anywhere from the two (2) weeks to ten
7 (10) weeks, so they're, but I would say on average are
8 more around the one (1) to two (2) month ranges that
9 people are borrowing for.

10 So far our experience has been, we're newer
11 in the marketplace, we've only been doing this for a year,
12 that we've been finding our clients, there may be some
13 repetitiveness, but a lot of times it's emergency-type
14 situations that traditionally those individuals would have
15 borrowed from the bank to pay for funeral costs or, you
16 know, stuff like that.

17 So the -- the our clients as individuals
18 are -- are really grateful for our services, but we're --
19 our experience has also been that the First Nations
20 themselves are telling us that with our service it's
21 allowed them a different type of interaction with their
22 employee, cause now they're having to -- being the
23 government centre. They're sometimes having to make some
24 decisions around lending money to their employees who
25 happen to also be the government centre, and so it's a

1 very complex situation in which they're dealing with
2 people there.

3 THE CHAIRPERSON: It's nice to hear in
4 Winnipeg. It's about thirteen (13) or fourteen (14)
5 outside, but there are some problems that go with it I
6 guess.

7 The question I had was this, when you say
8 you're on the cusp or at 60 percent, do you also charge
9 fees to cover your operating costs or the 60 percent, is
10 that what does it all so to speak?

11 MS. CRYSTAL LABORERO: We charge the 60
12 percent as well as we have an admin -- small
13 administration fee depending on the amount of the loan.

14 THE CHAIRPERSON: And yourself, that is
15 sustaining?

16 MS. CRYSTAL LABORERO: Yes. Well, that's
17 debatable. I report the finances tomorrow -- tomorrow.

18 MS. SUSAN PROVEN: I just wondered what
19 kind of a percentage that would be, that small
20 administrative charge that you said. Like, for example,
21 if we take the average small loan like three hundred
22 dollars (\$300), comparing it to what the payday lenders
23 have told us the average loan is, what would that admin
24 charge be?

25 MS. CRYSTAL LABORERO: Okay, on three

1 hundred (300), I'll just give you the gentleman, I can't
2 remember his name that was sitting there, he was saying
3 three sixty (360) was the average that you pay back at a
4 typical lenders. Ours for three hundred (300) is three
5 thirty-five (335), so that would be our interest and our
6 admin costs. So that's, I -- I don't know how to quite
7 answer the question in terms of the percentage wise.

8 I've never actually worked it out, but on a
9 thousand (1,000) our average is probably more about a
10 thousand dollars (\$1,000) that our -- our borrowers are
11 borrowing, which is over a longer period, because we don't
12 do the rollovers. We do it over ten (10) weeks. The
13 administration charge on that would be forty dollars
14 (\$40).

15 MS. SUSAN PROVEN: Thank you.

16 THE CHAIRPERSON: But on the other hand is
17 you were also saying in balance that, in essence the
18 persons that are responsible are the employers in the end.
19 If the employees don't pay, do you collect from the
20 employers?

21 MS. CRYSTAL LABORERO: No. No.

22 THE CHAIRPERSON: There's no going back on
23 the employers?

24 MS. CRYSTAL LABORERO: There's -- no, no.
25 There's no going back on the employers. Our -- the one

1 thing that I forgot to say in the beginning, our
2 relationship in these environments are very much -- it's -
3 - it's a relationship.

4 It's not -- we just -- like we can't go
5 garnishee. Our relationship in the First Nations
6 communities are purely based on the relationship with the
7 Chief and Council at the time.

8 And they're bringing in the services to
9 provide an additional benefit to their employees.

10 THE CHAIRPERSON: So have you funded --
11 has TWCC funded this operation then?

12 MR. ROB VALENTINE: Yes, we have.

13 THE CHAIRPERSON: Okay. So you provide
14 the funds that are lent out then?

15 MR. ROB VALENTINE: Yeah. Certainly we --
16 we will have, you know, financial products that we make
17 available through our bank, of course. But, yes, we are
18 part of the -- which underwrite the loans to our clients
19 at Aski.

20 THE CHAIRPERSON: I guess there was just
21 one part I didn't understand when you were first speaking
22 on this.

23 You indicated that you invoice the
24 employers. So what would you -- oh you're just invoicing
25 them for the payroll deductions from the employees?

1 MS. CRYSTAL LABORERO: Yes. I'll give you
2 a quick example. I'm from a community called Sapotaweyak
3 Cree Nation. We are forty-five (45) minutes from the
4 largest centre that would have a financial institution.

5 This is a community that is a client of
6 Aski. I'll give you an example in -- in that case, let's
7 say, I'm just making up numbers, I don't know off the top
8 of my head.

9 Let's say they have fifteen (15) employees
10 -- ten -- ten (10) employees that are borrowing from Aski
11 Financial. So they're maybe paid this Friday. So I would
12 have invoiced them today saying employee number 1 through
13 10, this is how much they owe us.

14 They owe us a total -- collectively a total
15 of ten thousand dollars (\$10,000). These are the
16 individual amounts that each of the employees owe and that
17 they do the payroll deductions and then submit to us.

18 THE CHAIRPERSON: Thank you very much.
19 Thank you. So next up on the list of presenters is the
20 North End Women's Centre, a Ms. Morrison. You can begin
21 any time you wish.

22

23 PRESENTATION BY MS. DALE MORRISON:

24 MS. DALE MORRISON: Hi. North End Women's
25 Centre operates close to Selkirk Avenue -- on Selkirk

1 Avenue. So we're right down in the middle of a lot
2 poverty, a lot of crime. Many of the women that access
3 our centre are limited in education.

4 They have limited literacy, often very
5 large families to support. And for the most part the
6 people that we assist at our centre are on -- except, you
7 know they get unemployment, not unemployment insurance,
8 but they are on welfare.

9 So they are also probably the majority of
10 these people access the payday loan centres. It's very
11 common. So I just do a brief consultation with women that
12 come into our centre just to find out what their opinion
13 of the whole thing is.

14 And we wanted to know why they go for one
15 thing and of course the -- the main thing is that it's
16 easier than going to the bank. There are a few banks in
17 our area. There's a few credit unions but they're not
18 always open to membership from our community.

19 The people that we know walk everywhere
20 they go and most of the banks are not within walking
21 distance for them especially with the number of children
22 to drag along with them.

23 They get access to their money right away
24 when they go to these businesses. There's no hold on
25 their cheque like there is with a bank often. The people

1 that work at the centres are friendly, they remember their
2 name, they're relaxed and at ease when they go in there
3 because often people are -- are not comfortable in a
4 business setting.

5 The people will call and remind them that
6 the payment is due if they indeed have a telephone at all.
7 The centres are often open late til eleven o'clock or
8 later which is a real convenience for many people.

9 However, it's also dangerous for them
10 because if they are impulsive, if they're struggling with
11 an addiction, the -- the banking -- the payday centres are
12 always open and they are able to pop in and get enough to
13 buy some drugs or alcohol, whatever it is that they want.
14 The centres offer other services, Western Union,
15 telephones and cheque cashing. So there are other
16 resources for them at these centres that they may not be
17 able to get anywhere else in our neighbourhood.

18 One woman told me that: I have bad credit
19 to begin and so it's impossible to have a place that will
20 lend me cash to tie me over until payday; banks are not
21 set up to lend small amounts of money on a short -- short-
22 term basis so that is not an option; if you are like me
23 and do not have affluent friends or family to borrow from,
24 then payday loan places are the only option. And for her,
25 someone who is affluent is somebody who would be able to

1 lend her a hundred dollars. So it's all very relative and
2 that's the population we're dealing with.

3 I'm going to skip through some of this
4 stuff that we have written here. I have a list of some of
5 the negative impacts that people listed for us, of the
6 payday lending companies and first is that large amounts
7 of cash are being charged for interest and service
8 charges.

9 And they reduce the amount of food and
10 clothing provided to the family. Often people will come
11 in for these loans in the first place because they need
12 diapers, they need formula for the baby, they need
13 groceries, the, you know, very basic type of things that
14 they're borrowing money for.

15 Often there's a sense of loss because
16 initially customers have the impression that the payday
17 loan staff are their buddies and once things don't go well
18 for them and they're treated differently and -- and very
19 unkindly often, they're humiliated, they're embarrassed
20 and, yeah, they feel very betrayed by the staff there.

21 They have an increasing and unmanageable
22 debt which to us, you know, many of us here who are
23 employed, it might not be a -- such a bad thing, but for
24 people who are surviving on social assistance they don't
25 have enough money to live on already, and so any kind of

1 charge, twenty-five (\$25) dollars for them is a huge
2 amount of money. That's food out of the kids' mouths.
3 That -- that's a big deal for them.

4 We've had reported breakdown of family
5 leading to divorce and separation. The families just
6 can't deal with the debt load. They're fighting, they're
7 arguing, even where the family is employed at times the
8 whole paycheck is going to repay the debt and so they
9 have no choice but to go back and reborrow the full amount
10 if they're to make ends meet.

11 So often what will happen is the mother and
12 children will go onto welfare where they can at least
13 afford to house and feed the children at some level, and
14 the father will carry the loan or default on it, and the
15 family is basically destroyed. We see an increase in
16 alcohol and drug use just dealing with that issue.

17 There's a loss of self esteem, depression
18 and anger and that can lead to family violence, it leads
19 to an increase in abuse of children. As I said, there's
20 an increase of alcohol and drug use. It's due to an easy
21 access to the cash and also as a way of coping with the
22 financial problems.

23 Many individuals close their bank accounts
24 to avoid the debt because they can't carry it any longer
25 or it's a way of keeping themselves from going and

1 borrowing more money because they're afraid that they'll
2 weaken. So if they don't have a bank account they can't
3 borrow money from these institutions. They won't give
4 them the loan.

5 Their dam -- credit rating, if they have
6 any anyways, is damaged. They often suffer an inability
7 to get another bank account due to a poor credit rating,
8 and then they access the payday lenders to cash their
9 cheques at high charges and individuals are vulnerable to
10 crime as they're often carrying large amounts of cash with
11 them when they leave the loan place.

12 We spoke with several women who reported
13 that they paid back equal or even double the amount of the
14 initial charge in -- int the initial loan in interest and
15 charges. One person said that she borrows a hundred
16 (\$100) dollars for two weeks and she pays back a hundred
17 and twenty-four (\$124) dollars for every two -- additional
18 two-week period.

19 I'm sorry, she pays back a hundred and
20 twenty-four dollars (\$124). For every two (2) week period
21 that it isn't paid, she pays another twenty-four dollars
22 (\$24).

23 Twenty-four dollars (\$24) isn't a huge
24 amount of money to many of us. That actually -- that rate
25 has gone up again now, but for her it is a large amount.

1 The processing fee is larger when I borrow larger amounts,
2 it is the same paperwork, and why are they charging me
3 more for the same paperwork when they could charge a flat
4 rate?

5 One (1) woman told us she had argued with
6 the staff at a payday lender when she challenged them
7 about the amount of interest and charges she was paying.
8 It became very heated, and she left. She reported she
9 closed her bank account and has not returned to that
10 company; however, she accesses the services of another
11 payday lender who charges her to cash government cheques.

12 She said she was charged forty-five dollars
13 (\$45), but apparently that amount has been reduced now,
14 and they can no longer charge her that much. She shared
15 stories of other family members who have had similar
16 experiences and also charged their -- closed their bank
17 accounts.

18 Other comments we were given by neighbours
19 -- or by our community is there are no good things about
20 payday lenders, they rob money from our children. I
21 didn't include a lot of very negative things that have
22 been said.

23 People in our community are very bitter and
24 have really strong negative feelings about these
25 institutions. And the women who provided us with these

1 responses are the lowest income earners in the City of
2 Winnipeg, and as such, they're the least able to afford
3 the charges of these lenders. Thank you.

4 THE CHAIRPERSON: So some of the people
5 that you are assisting with, they are actually cashing
6 social assist -- or they are getting loans on social
7 assistance payments that are coming due then?

8 MS. DALE MORRISON: Sorry. Also, their
9 child tax benefit, some of them are so deeply in debt that
10 the whole cheque goes to pay the loan and then they go
11 back and borrow again on it. But eventually it seems --
12 probably because they get into worse trouble with it --
13 they refuse to lend them any more money, which in one (1)
14 way is a good thing because it stops them from getting any
15 worse, but there's a mom who has no food, diapers, nothing
16 for her kids.

17 We have moms that are coming into our
18 centre -- and to feed the kids breakfast before they go to
19 school they're putting sugar cubes in a glass of milk, and
20 that's the kids' breakfast. We do serve lunches at our
21 centre when we can, three (3) days a week and we're moving
22 that up to five (5).

23 And often we have a lot of mothers who are
24 coming in and feeding their children their lunch from our
25 centre from the free -- which is just soup or stew,

1 whatever we can provide. So we're seeing really, you
2 know, extreme poverty here.

3 THE CHAIRPERSON: How long has the centre
4 been in operation?

5 MS. DALE MORRISON: I should know that,
6 but approximately twenty (20) years.

7 THE CHAIRPERSON: Is the situation
8 improving or remaining stable?

9 MS. DALE MORRISON: No, it's -- it's
10 getting worse. We're seeing worse and worse. The drug
11 problems down there on the street are increasing and --
12 and that, of course, is -- is, you know, adding to the
13 whole situation. And that's another thing that we see is
14 women are going out to work on the streets in order to
15 provide for the family.

16 So that's an increasing problem, also.

17 THE CHAIRPERSON: Thank you very much for
18 coming in and presenting. We appreciate it.

19 MS. DALE MORRISON: Thank you.

20 THE CHAIRPERSON: The next presenter is a
21 Ms. Anna Pazdziersky from the Nova House and Manitoba
22 Association Women's Shelter.

23

24 PRESENTATION BY MS. ANNA PAZDZIERSKI:

25 MS. ANNA PAZDZIERSKI: Thank you. First

1 of all, I'm going to read something that has been given to
2 us by Osborne house. And then I'll go on to my own
3 presentation. Carol Ellerback (phonetic) the executive
4 director of Osborne House says:

5 "We had a woman in shelter a number of
6 months ago that was caught in the payday
7 loan trap. She had initially had a debt
8 of four hundred dollars \$400 with one
9 (1) company and about five hundred (500)
10 with another company. She told me she
11 was making payments on a regular basis
12 on the four hundred dollar (\$400) debt
13 and had it down to two hundred dollars
14 (\$200), but then missed a payment
15 because her partner forced her to give
16 him money for his addiction. This woman
17 said the debt was a combination of
18 needing money for her bus fare to work
19 and to cover her partner's addiction.
20 The client said she got behind and the
21 cost of the interest was a hundred and
22 sixty-eight dollars (\$168). The client
23 worked nights at a large retail store in
24 Selkirk, Manitoba and was required to
25 get there by Beaver Bus Lines.

1 Her employer would not transfer her to
2 another store in Winnipeg, so she needed
3 to pay for bus fare of six fifty (6.50)
4 both ways to work, equalling thirteen
5 dollars (\$13) for her travel. In ten
6 (10) days of work she spent a hundred
7 and thirty dollars (\$130) for bus fare.
8 The client was in a desperate situation
9 with having to pay a loan that never
10 appeared to diminish because of
11 accumulating interest."

12 And that was one (1) client from Osborne
13 House.

14 On behalf of the Manitoba Association of
15 Women's Shelters and as Executive Director of Nova House,
16 I'm pleased to have this opportunity to speak to the
17 Public Utilities Board about payday lending rates and
18 policies.

19 In my conversations with the ten (10)
20 executive directors across the province, it is very
21 apparent that the large majority of the twenty-seven
22 hundred (2,700) plus women that we see a year also have
23 little choice but use payday lending outlets or other
24 businesses offering this same service.

25 In researching this topic several issues

1 became very clear. The majority of the clients are low-
 2 income families with a history of social assistance and
 3 are either still on assistance or working for minimum wage
 4 -- or close to it -- with a poor credit history or no
 5 credit history.

6 Many have never had a bank account and
 7 neither -- and now either don't have access to a banking
 8 facility or feel they aren't welcome at regular banking
 9 facilities.

10 With banking facilities' policies on
 11 putting three (3) or five (5) or even seven (7) day holds
 12 on deposits -- even cash deposits at their ATM outlets --
 13 many people have no real choice but use alternative
 14 financial outlets.

15 I found it amazing that even if the deposit
 16 was cash and had been confirmed that day or the next day
 17 out of the ATM, it didn't matter. The five (5) day hold
 18 still applied at several banks.

19 The stories I was privileged to hear from
 20 many of our clients are remarkably similar. The root of
 21 all these stories was that in many cases people had no
 22 idea what their rights were, what other options were
 23 available, and what people who were lucky enough not to
 24 use payday lenders were paying for their services.

25 Many of the people I spoke to did not and

1 would not complain or demand their rights as they saw them
2 -- as they saw them in case they were not able to borrow
3 the next time they needed to.

4 And again, needing to is often formula,
5 food, diapers. In all cases they felt like they had no
6 options but to use payday lenders and had no concept of
7 the amount of interest, charges, et cetera, that they were
8 paying.

9 Now, interestingly enough, the story that I
10 was handed just this afternoon from Osborne House deals
11 with the same woman I'm going to talk about briefly. And
12 I have this woman's permission to tell this story.

13 The same single mother told me of using
14 four (4) such lenders in Selkirk. This single mother is
15 now at Nova House, having transferred from Osborne House
16 because she could not get a transfer for her work and
17 needed to maintain working.

18 She works full-time, midnights at the Wal-
19 Mart store. And she needs to do that because Child and
20 Family will not give her back her child unless she has a
21 full-time job and a permanent place to live.

22 So she needs to maintain this full-time
23 job, even though now she's six (6) months pregnant and
24 doesn't qualify for maternity leave as yet, but is
25 insistent she's going to continue working and has done a -

1 - and is doing remarkably well.

2 At one of the local pawnshops, she's been
3 able to borrow small amounts between paydays for no
4 interest. Apparently this lender's a really nice guy.
5 There are no ulterior motives, although that was my first
6 question to her, and he was willing to help her out. She
7 still owes him a small sum and is paying it back.

8 The same woman at another payday lender
9 borrowed one hundred dollars (\$100) and needed to pay back
10 a hundred and fifty-seven dollars (\$157) two weeks later.
11 She didn't have enough to pay it back so she borrowed
12 again.

13 So now she owed two hundred dollars (\$200)
14 but needed to pay back two hundred and eighty dollars
15 (\$280) two weeks later. She missed the payment, so they
16 charged her a one hundred dollar (\$100) default fee and
17 sixteen (16) cents interest per dollar per day.

18 She, of course, can't pay that, so she
19 borrowed again. She now borrows from them and each loan
20 she borrows, she puts half toward what she owes them and
21 uses the other half to live on.

22 She has paid over five hundred dollars
23 (\$500) in the last three (3) months and will soon have it
24 all paid. But she has no idea -- and even I couldn't
25 figure out in a long conversation with her -- what she had

1 paid on her initial hundred dollar (\$100) loan.

2 She says this was a really bad one (1), but
3 then she went on to tell me her horror story at one (1) of
4 the local rent-to-own establishments. She borrowed two
5 hundred dollars (\$200) as part of the agreement needed to
6 -- and as part of the agreement needed to set up a savings
7 account with them. She could not explain why or what the
8 savings account was, just that it was their policy.

9 This loan soon grew to three hundred and
10 eighty dollars (\$380) within two (2) months. She didn't
11 borrow any more, but with the defaults and charges she
12 said it just grew.

13 Somehow, the rent-to-own removed five
14 hundred dollars (\$500) from her bank account, which she
15 now has because her employer does direct deposit.

16 And she did have five hundred dollars
17 (\$500) in her account from her paycheck. But not knowing
18 that the rent-to-own did, this she also wrote three (3)
19 cheques to cover her utilities and phone bill and hydro.

20 When they came in the bank returned them,
21 and charged her thirty-seven dollars and fifty cents
22 (\$37.50) NSF charges each, or a total of a hundred and
23 twelve fifty (112.50).

24 Neither she nor the bank seems able to
25 explain how the rent-to-own removed this money from her

1 account. She had not given them a post-dated cheque.

2 She went to see them personally, the rent-
3 to-own, about the five hundred (500) withdrawal, as she
4 now had no money at all for food, rent, or anything. She
5 asked for receipts from her account and was refused. They
6 did agree to refund one NSF charge, but only at thirty-
7 four dollars (\$34), as that is what they charge.

8 The owner did admit that it was her
9 mistake, as she accidentally pressed one hundred dollars
10 (\$100) two (2) times as well as the three hundred dollars
11 (\$300) that she meant to withdraw from her account.

12 Now I find it hard to understand how if
13 you're punching in three hundred dollars (\$300) that then
14 you go back and punch in a hundred dollars (\$100)
15 accidentally, but...

16 And incidently, at this point, she thought
17 she only owed three hundred and eighty dollars (\$380).
18 The owner then gave back a hundred and eight dollars
19 (\$180) of the original five hundred (500), including in
20 the hundred and eighty dollars (\$180) thirty-seven dollars
21 (\$37) -- that had accumulated in her savings account from
22 no one seems to know where -- and the thirty-four (\$34)
23 NSF charge that she should never have paid in the first
24 place.

25 So as close as I can figure, her initial

1 loan of two hundred dollars (\$200) cost her three hundred
2 and ninety-one dollars (\$391), plus the seventy-eight
3 fifty (78.50) still outstanding in NSF charges at the
4 bank, all in a whole two (2) months.

5 When she complained about it to the owner,
6 she was told too bad. She received no documentation to
7 explain any of this.

8 Her experience at the other payday lender
9 was a good one, she said. She borrowed a hundred dollars
10 (\$100) and only had to pay back a hundred and twenty-three
11 dollars (\$123) two (2) weeks later.

12 At a Winnipeg lender, she borrowed twenty-
13 five dollars (\$25) and paid back fifty-seven dollars (\$57)
14 one (1) month later.

15 She did not seem concerned about what I
16 would consider criminal practices. And once I explained
17 on paper what I would have paid for the same loan from my
18 banking institution, she felt even worse, as I don't think
19 she sees anywhere in the future when she would be in the
20 same position of paying 8 or 10 percent or even less on a
21 loan.

22 Another client used the same rent-to-own's
23 bank account as the address for their child tax credit
24 cheque. I didn't know that was possible, but apparently
25 it is.

1 Apparently they were renting an air
2 conditioner on a rent-to-own, and this was the means of
3 paying back the loan for the air conditioner. The
4 agreement was that part of the child tax credit went to
5 the loan and the rest to the supposed recipient of the
6 child tax credit. The owner would hand over one hundred
7 dollars (\$100) monthly and keep the rest.

8 Once the bill was paid, the rent-to-own
9 continued to hold the money, and the client ended up --
10 didn't feel they had any alternative but call child tax
11 credit and have their child tax credit cancelled and
12 stopped. Once they explained why to child tax credit,
13 child tax credit office advised them to call the police
14 and report what had happened. They did, but do not know
15 what eventually happened.

16 The client had no paperwork, no
17 documentation, no receipts, nothing to prove fraud. As
18 far as we know nothing was done, except the client is
19 barred from attending at the rent-to-own, because they
20 lost it while there with the police. Likely a good thing.

21 And finally a personal experience. Our son
22 borrowed a thousand dollars (\$1,000) against his truck
23 from a payday lender, knowing that he would need to pay
24 back fourteen hundred dollars (\$1,400) over seven (7)
25 months.

1 He made his first payment but was going to
2 be late with his second payment, and when he called them
3 was advised that -- was advised that that was okay, but he
4 would need to pay two hundred and sixty-eight dollars
5 (\$268) at the time of his third payment.

6 He thought sixty-eight dollars (\$68) was
7 okay for being late. But when he went to make the payment
8 it wasn't sixty-eight dollars (\$68), it was two hundred
9 and sixty-eight dollars (\$268) on top of the two hundred
10 (200). Of course, he didn't have four hundred and sixty-
11 eight dollars (\$468), so was unable to make this payment.

12 And by the time the third payment rolled
13 around, they repo -- repossessed his truck, which was
14 worth about sixteen thousand dollars (\$16,000).

15 This was when he called us, my husband and
16 I. He now owed the original fourteen hundred dollars
17 (\$1,400) plus three (3) default charges of two hundred and
18 sixty-eight dollars (\$268) each, or eight hundred and four
19 dollars (\$804), plus repossession fees.

20 And if he didn't get the loan paid and his
21 truck returned, the charges were somewhere around sixty
22 dollars (\$60) a day. We loaned him twenty-seven hundred
23 dollars (\$2,700) to repay the thousand dollar (\$1,000)
24 loan three (3) months after he'd taken it out.

25 Without a family to help, it would not have

1 been long before they owned the truck. He works but has a
2 poor credit rating, can't keep track of his ID let alone a
3 bank account, needs credit counselling, seriously.

4 I would strongly encourage the Public
5 Utilities Board to set reasonable maximum interest rates,
6 fees, and charges for all individuals and businesses
7 engaged in lending.

8 I would also encourage you to lobby all
9 financial institutions to provide appropriate financial
10 services for all the members of their communities. The
11 Community Financial Services Centre in Winnipeg is a great
12 model to follow.

13 Many third-world countries have lending
14 institutions for the economic disadvantaged. Why doesn't
15 Manitoba? The current system is ethically corrupt and
16 takes advantage of those with no real choices. We have
17 laws against scam artists. Is the payday lending system
18 any different? Thank you.

19 THE CHAIRPERSON: Thank you very much.
20 Thanks again for coming. Next up on the list, and then we
21 will return to the ones who may have come in then, is Ms.
22 Kate Sjoberg.

23

24 PRESENTATION BY MS. KATE SJOBERG:

25 MS. KATE SJOBERG: Hi. Thanks. I'm not

1 an expert on the payday lending industry. I've from
2 Spence Neighbourhood Association.

3 And I -- I also wanted to give a bit of a
4 window into what happens in our neighbourhood and the
5 folks who use payday lending in our neighbourhood, 'cause
6 I think it's important to be able inform the discussion.

7 Our -- our neighbourhood organization does
8 work in housing. We've done over twenty (20) infill lots
9 over the past five (5) years. We also do work to support
10 renters and landlords in the area get along, but also
11 ensure fair -- fair practices for tenants.

12 We do work with youth programming. And we
13 also do work in community economic development -- so pre-
14 employment programs, employment programs, preparing youth
15 to go to work, but also preparing adults to go to work,
16 who may need help.

17 So in terms of our neighbourhood, we're
18 located between the streets of Victor and Balmoral Street,
19 close to the University of Winnipeg and between the
20 Avenues of Notre Dame and Portage.

21 The area is -- is very vibrant, lots of
22 diversity there. It's also low income. We also have
23 higher than average levels of mental illness and -- and we
24 also have marginalized groups in our -- in our
25 neighbourhood of Aboriginal people and -- and newcomer and

1 refugees, as well.

2 The average income in the area is twenty-
3 seven thousand dollars (\$27,000) a year for a household,
4 as opposed to the average for Winnipeg, which is sixty-
5 seven thousand dollars (\$67,000). In addition, it's
6 worthwhile knowing that 62.8 percent of our families are
7 below the low-income cutoff.

8 So when we talk about non banked people in
9 Spence, the people who use payday loan companies, what
10 we're really talking about is financial exclusion of
11 already marginalized people to services at a fair price.

12 It's easy to talk about payday loan
13 companies serving a need, as if poor people have a choice
14 whether or not to use them, especially when so peop -- so
15 many people access services from payday loan companies.

16 The question is why would someone living
17 below the poverty line pay many and times more for banking
18 services, taking money out of their food budget often, if
19 they didn't have to?

20 And to understand this, it's important to
21 understand more about the situation of a low-income
22 family, which we've heard a lot about today.

23 In a sense, we know that people are
24 regularly forced out of their living spaces due to
25 affordability, and we see the affordable and low-income

1 housing crisis in Manitoba firsthand in Spence.

2 Parents tell us that they need to move
3 because their housing situations are unsafe for their
4 children and themselves. But they can't afford to move
5 anywhere else.

6 Our popular Building Belonging after-school
7 program for six (6) to twelve (12) year olds includes
8 many, many participants who come specifically because of
9 the food offered at the program every day, not to mention
10 a safe space to play for the -- with their friends.

11 Indeed we know that many of our children
12 don't eat enough, don't have adequate winter clothing --
13 if winter ever arrives -- and are exposed to unsafe and
14 abusive situations at home. We know that single mothers
15 spend their days carting their kids around and getting
16 groceries if they have the money for it, liaising with
17 social workers, working part time and trying to budget for
18 the next month, all on foot, maybe by bus if they have the
19 money but mostly on foot.

20 There are a number of factors that
21 contribute to poverty in Manitoba and Spence
22 Neighbourhood, all of which Spence Neighbourhood
23 Association strives to improve, for instance, lack of
24 affordable housing, lack of jobs with living wages, lack
25 of affordable education and training, lack of supports for

1 low income families to get on their feet, lack of supports
2 for newcomers and refugees in terms of language, training
3 and parental supports, and systemic racism. payday loan
4 companies are a part of the list that contributes to
5 poverty in our neighbourhood.

6 We know that payday loan outfits are used
7 by and large by low income people who don't have
8 alternatives because of any number of factors, most
9 important of which, because they need the money as soon as
10 they are paid and can't wait for bank-enforced holding
11 periods.

12 So because the parents of the kids in our
13 youth programming don't make enough to make it from cheque
14 to cheque, or can't get to a bank because it operates on
15 fixed hours and they don't have a car, they're forced to
16 pay high fees to earn rights to their own money. In
17 effect, they are punished for earning too little.

18 The Manitoba government's important move to
19 license the industry is -- or regulate the industry is
20 indicative of growing public understanding that the way
21 the payday loan system currently operates not only
22 contributes to sys -- systemic discrimination against but
23 more -- against poor people, but more to the point it
24 exploits poor people.

25 This bold move was supported by Spence

1 Neighbourhood Association in 2006. In a letter to the
2 Minister of Finance, the Spence Neighbourhood Association
3 community economic -- economic development committee said
4 the following:

5 "Our research has shown that the users
6 of fringe banking services are more
7 likely to come from the lowest income
8 brackets. They have limited access to
9 short-term credit and often lack the
10 proper identification to use the
11 services of a bank or credit union.
12 These, the most vulnerable members of
13 society, use cheque cashing and payday
14 loan services because they have no other
15 financial alternatives. To profit from
16 the disadvantage of those who are
17 striving to escape from poverty is a
18 practice that is abhorrent to the
19 majority of Manitobans."

20 Yes, a community economic development
21 committee, along with many other organizations, has long
22 argued that the fees charged on government cheques and the
23 -- and the usurious practices of many payday loan
24 companies are an economic burden for those who use these
25 services.

1 This burden is heaviest for low income
2 families who suffer a severe crisis when even moderate
3 financial shortfall occurs. Furthermore, the interest
4 rates and administrative fees charged by many payday loan
5 companies are illegal, since they exceed the 60 percent
6 interest rate. That's defined as the maximum annual
7 interest rate that can be charged under the Criminal Code
8 of Canada.

9 Our members have argued that the above
10 practices prevent lower income families and individuals
11 from accumulating liquid assets which are essential for
12 financial independence. We therefore encourage the
13 government of Manitoba to use amendments to the Consumer
14 Protection Act as a platform for building policies that
15 will encourage savings and reduce government dependency
16 for low income families in the province of Manitoba.

17 The number of banking institutions in the
18 area has remained relatively stable in recent interest
19 history, but there's been an increase in payday loan
20 companies. It's clear that payday loan companies are
21 providing a needed service but we disagree that the way it
22 is currently happening is the most desirable for our
23 neighbourhood.

24 While the need for Spence is clearly the
25 most im -- important factor in determining people's use of

1 payday lenders, there are others that matter as -- as
2 well, such as the proximity of services and an
3 inaccessibility of banking services, including racism
4 experienced in banking institutions.

5 Because there are a wide range of factors
6 that force low income people to use payday loan companies,
7 we believe that the government should do more than just
8 reduce the fees for service currently being charged. Some
9 of our recommendations come from Dr. Jerry Buckland, for
10 instance, removing barriers to using mainstream banks such
11 as distance.

12 This could be addressed by regulation on
13 bank community reinvestment as it happened in the US Banks
14 could be encouraged to develop appropriate practices --
15 appropriate services for low income people, such as
16 personal identification, direct deposit, low -- low fee
17 multiple accounts that allow for small savings in a second
18 account, provision of financial management training and
19 the asset building programs, development of new
20 technologies geared to low income people such as debt --
21 debit cards, secured credit cards and fee-based credit
22 cards.

23 We also think that banks need to make
24 adjustments that can accommodate low income people and the
25 government has to respond to the discrepancy between the

1 appreciate the chance to make a presentation here today to
2 the Public Utilities Board about the cash grab of payday
3 loans as I call it.

4 My name is Mary Ann Cerilli and I'm a
5 mentor and advocate at the West Central Women's Resource
6 Centre so it's fitting that I'm following the other women
7 centres and then Kate from Spence Neighbourhood because
8 our Women's Centre is located in the Spence Neighbourhood,
9 near the corner of Ellis and Sherbrooke.

10 It's dedicated to the empowerment of
11 neighbourhood women, their families and the community at-
12 large and we offer a number of programs that assist some
13 of the poorest and most marginalised people in our city.

14 I assist women who are often on welfare,
15 homeless or close to it to learn to assert their rights
16 and some of the women who rely on our centre use payday
17 loan companies both for loans and to cash cheques.

18 Since I started the program called "HOMES"
19 which is -- stands for Housing Options Mentoring and
20 Economic Security, I've talked to over sixty (60) women
21 who are at risk of homelessness or struggling to make ends
22 meet or who are homeless.

23 One woman I talked recently who is also one
24 of the trainees in our program, I was trying to encourage
25 her to come with me today and she wasn't able to come but

1 she did tell me that she used a payday loan company once
2 and she borrowed a hundred dollars (\$100) and had to pay
3 back a hundred and fifty dollars (\$150) two (2) weeks
4 later.

5 So you've heard that story. Our centre
6 provides food, clothing, free clothing, access to
7 telephones, photocopiers, computers, to people that don't
8 have them. We offer casual child minding workshops and
9 advocacy as well as the opportunity for volunteer work
10 experience so people can develop their resume' and skills.

11 I also chair the Poverty Committee of the
12 Social Planning Council and part of our -- one of our main
13 initiatives right now is the "The Raise the Rates
14 Campaign" which is trying to expose and -- and reverse the
15 backward social policies that people on social assistance
16 face.

17 And it occurred to me that there's a myth
18 that people on social assistance don't work. So many of
19 the people on social assistance are working part-time and
20 they're facing in that program, some of the same kind of
21 policies as we're addressing here with the payday loans in
22 that they actually face taxation rates of 75 percent.

23 So they could be working and after the
24 first hundred and fifteen dollars (\$115) they're losing
25 seventy-five cents (\$.75) on the dollar they earn. So,

1 you know, the -- the -- what I call the classism in the
2 financial sector and in finances for people who have low
3 income really needs to be addressed in a comprehensive
4 way.

5 So I, like many others here, learned a long
6 time ago that the determinants of health are social and
7 economic, I'm a health teacher by training, and -- and
8 that the ability to live a healthy lifestyle is actually
9 determined to a large extent, not on personal choice, but
10 on a social environment and the economic systems that we
11 live in.

12 And that makes the choice and lifestyle
13 choice as an option. This means that I understand that
14 people, like many others here who are low income, have
15 less choice. And they have fewer options and this is
16 certainly true about the mushrooming payday loan companies
17 and the high interest rates and fees that they've been
18 allowed to charge for the past seven (7) years.

19 There are problems because people have no
20 choice. The major banks have over the past years been
21 able to abandon low income citizens in many of the
22 neighbourhoods where banking services don't turn a profit.

23 Charter banks have been allowed or
24 permitted to introduce new che -- technologies like
25 banking machines and electronic banking that have

1 displaced workers and made it easy to charge new fees for
2 accessing our bank accounts.

3 Not requiring as many staff and branches
4 has allowed banks to also soak people by charging fees to
5 access their own money. The banks must hold some
6 responsibility in the problem for payday loans companies,
7 and once the industry has re-regulated or banned, as they
8 have in Quebec, they will step back in and serve the
9 segment of the population that's been exploited by payday
10 loans.

11 So, our challenge here today in -- in these
12 Hearings is determining a rate of interest and the legal
13 framework that these companies will be able to charge in
14 the future. There seems to be agreement that the rates of
15 50 percent to over 1000 percent are too high, and that the
16 payday loan companies that have been proliferating in
17 Winnipeg will try to convince you that these fees and
18 interest rates are necessary so they can stay in business.

19 Well, I would say that there are some
20 businesses that are not in the public interest, and that
21 payday loan companies are some of them. I know that the
22 stakes are high, since payday loan companies are part of a
23 \$2 billion a year business that serves more than 2 million
24 Canadians annually.

25 However, this \$2 billion has been lost to

1 some of Canada's poorest citizens. payday loans
 2 companies, in my opinion, are right up there with weapons
 3 dealers, drug traders and pimps. Payday loan companies
 4 represent the worst form of predatory capitalism by
 5 sucking money out of those who are most financially
 6 desperate and vulnerable.

7 I would say that these companies, which are
 8 -- many agree are currently operating illegally, are
 9 actually contributing, as others have said, to the
 10 proliferation of problems like street drug sales and use
 11 and prostitution and the gangs that seek to control them.

12 Payday loan companies, with their extended
 13 hours, are part of the infrastructure of these crimes and
 14 are trapping people in poverty. One web site that I read,
 15 and I quote, said that:

16 "What people need to come to terms with
 17 is that these consumers, using these
 18 services, are generally an at-risk of
 19 defaulting on loans. If a significantly
 20 amount of loans go unserviced, these
 21 losses may be somehow made up in the
 22 price, or the company will shut down.
 23 Capping the fees in interest rates for
 24 payday loans will most likely result in
 25 reductions in the size of the industry."

1 I think that would be a good thing.

2 "This will not only affect the business
3 owners and the employees; it will make
4 it harder for those who are falling
5 through the cracks of our chartered
6 banking system to borrow money at all.
7 With artificially low risk compensation,
8 payday loan companies will have no
9 choice but to be more discriminating in
10 their customers."

11 So I guess that would be some people
12 wouldn't qualify even for payday loans.

13 This was a web site that was called Natural
14 Society Web site, and the caption on the web site reads,
15 "Rescuing the World From Social Engineers on the Right and
16 the Left; A Classical Liberal Perspective on Politics,
17 Economics and Culture".

18 So I kind of feel like let's bring on the
19 social engineering, because these problems have to be
20 addressed. So I -- I did a fair -- fair bit of reading
21 and was quite surprised by some of the things that I
22 learned when preparing this -- for this presentation.

23 And realized that we have to look at the
24 legal context in Canada, that, unfortunately, regulating
25 the payday loan companies is yet another issue where the

1 inter-jurisdictional framework of our constitutional
2 division of government powers has allowed governments to
3 get away with not acting in the public interest, because
4 they can't collaborate based on their shared
5 responsibility.

6 So as I understand it, the financial
7 institutions are regulated either federally or
8 provincially, depending on which level government
9 incorporated them, and that the Federal Government has
10 jurisdiction over interest rates. But the day-to-day
11 regulation of licensing payday lenders falls now under the
12 provinces, as part of their powers over property and civil
13 liberty or civil rights.

14 Part of the problem is the interest rates
15 have always fallen under federal jurisdiction, but
16 consumer protection is a provincial responsibility. So
17 this has left payday loan companies largely unregulated.

18 But I was really surprised to learn that
19 only -- Quebec has legislation preventing the firms from
20 operating, and they've always had that. So if the
21 Province of Quebec can get around this inter-
22 jurisdictional problem and legal question, why can't
23 Manitoba?

24 If the payday loan industry is not
25 regulated, its future will be ultimately determined by a

1 number of class action lawsuits currently proceeding
2 through the Canadian courts. These lawsuits claim that
3 consumers were charged fees in excess of the rates allowed
4 under the criminal code, and seek to recover hundreds of
5 millions of dollars worth of interest.

6 Should these class-action lawsuits succeed,
7 it could potentially bankrupt the payday loan industry.
8 But Bill C-26, the Federal legislation, opts for
9 provincial regulation of the market rather than an
10 outright ban on payday loans. So I've said here that I
11 think we have to end the failure of leadership in terms of
12 both the Federal and Provincial Governments.

13 One of the concerns is that will there be a
14 patchwork of different laws and regulation and a lack of
15 uniformity and enforcement. And it's also occurred to me
16 that by keeping the Federal responsibility for banks and
17 having payday loans regulated provincially, it will
18 entrench this -- structurally, this problem and prevent
19 the real solution which is going to be having the banks
20 address this segment of the population that earn less than
21 thirty thousand dollars (\$30,000) a year and rely on
22 payday loans.

23 So, there's been a number of stakeholder
24 groups that have recommendations to reduce the payday loan
25 companies. So I'm going to list some of those

1 recommendations that could be applied in your regula --
2 regulatory framework, but just want to reiterate that
3 after preparing for this presentation and reading what
4 I've read, particularly knowing what happened in Quebec, I
5 don't see why we shouldn't have an outright ban.

6 So, one of the things that regulation needs
7 to address is government-led education programs designed
8 to promote financial literacy; the promotion of
9 competition from traditional banks and other financial
10 institutions in order to better control costs in the
11 alternative consumer credit market; reforms to make the
12 process of bank closure in low-income and rural
13 neighbourhoods more onerous; government aid for the
14 establishment of community banking options in low-income
15 neighbourhoods; limitations on rollovers and back-to-back
16 loans -- loan rollovers are one (1) of the ways that
17 companies keep people in debt at high rates for long term
18 -- mandatory participation by payday lenders in the
19 independent complaint resolution mechanism; mechanisms
20 ensuring full and accurate disclosure of contract terms
21 and acceptable debt collection practices.

22 And then there's a whole list of fees that
23 must be prohibited and limited and regulated, and these
24 include the interest fees, of course, the administration
25 fees, processing fees, convenience charge, verification

1 fee, a broker's fee, a collection fee, early payment fee,
2 a late payment fee, initial one (1) time setup fee, and a
3 rollover fee.

4 So, even when they're going to rollover
5 your loan, they're going to charge you a fee for that.
6 Unbelievable.

7 There is currently a voluntary code that
8 some payday loan companies follow. It also requires
9 member companies to advise customers who have defaulted on
10 their loans twice within a year that credit counselling is
11 available. These companies must also offer -- forego a
12 accrual interest if the consumer seeks credit counselling.

13 These industries say that most people who
14 use payday loan companies are happy with the service, and
15 that they understand the charges being paid. A survey
16 conducted by the Association of Environics Research found
17 that, overall, 11 percent of Canadians had a favourable
18 opinion of the loan companies, but 59 percent of the
19 people who used them.

20 So there really speaks to the issue of
21 literacy and people being informed of what the -- the
22 conditions are. The voluntary code, therefore, is limited
23 in its scope and effectiveness, and there are many payday
24 loan outlets that are not members of the Loan Association.
25 So I would recommend that the voluntary approach to

1 regulation must be rejected, or the industry-controlled
2 approach.

3 The justifications that payday loan
4 companies are too risky so charge higher rates and fees is
5 -- cannot be accepted. The rates paid by those borrowing
6 through payday loan companies compared to credit card
7 advances, account -- accounts overdrafts are -- typically,
8 you can expect to pay a hundred dollars (\$100) in interest
9 and fees on a three hundred dollar (\$300) payday loan.

10 The finance -- Financial Consumer Agency of
11 Canada says that the amounts that -- the amounts to an
12 effective annual interest rate of 435 percent on a
13 fourteen (14) day loan. The Financial Consumer Agency
14 says that a cash advance on a credit card, while still
15 being very accept -- expensive, is a comparative bargain
16 at the effective annual rate of 20 or 36 percent.

17 Better still is an over -- overdraft on a
18 bank account which works out to 21 percent. The effective
19 rate of borrowing from a line of credit for two (2) weeks
20 would be a relatively meagre 10 percent; that's compared
21 to the average 435 percent for fourteen (14) days on a
22 payday loan.

23 So, in terms of concluding, I also looked
24 at what the international context is. In other countries
25 there have been experience and a rapid growth in the

1 payday loan industry, including the United Kingdom,
2 Australia, and the United States, who have rules in place
3 to protect consumers.

4 So, in the United States there are -- forty
5 (40) states have put in place protection rules, and in
6 Canada, as I said earlier the ban is in Quebec.

7 The United Nations Convention on Economic
8 and Social Rights makes classism or the discrimination and
9 unequal treatment -- treatment or exclusion of people
10 based on their socioeconomic status, a violation of human
11 rights in the same way that we have come to accept, in
12 principle, that discrimination and exclusion of people
13 based on race, or religion, or gender, or sexual
14 orientation is a violation of someone's human rights.

15 So, having one set of financial services
16 for -- with one set of rates for people with the good
17 fortune to be more affluent, and another set of financial
18 services for people who are less fortunate, is
19 discriminatory, and exploitive, and a violation of their
20 human rights based on the UN Convention on Economic and
21 Social Rights.

22 In this context, asking how we can tolerate
23 the situation of payday loan companies if, for example,
24 payday loans were only for Jews or for people with
25 disabilities or for people who are Asian, for example,

1 that the Board limits the -- the charges and interest
2 rates, et cetera, that can be charged by payday lenders,
3 and they withdraw from the market? Do you have any
4 concerns about the -- the current users; where they will
5 go?

6 MS. MARY ANN CERILLI: I think that they
7 would -- that's why I mention this issue of not allowing
8 the jurisdiction to be further split so that there could
9 be work with the charter banks and other more community-
10 based lending institutions, like the one that's developed
11 in the North End, to service that population.

12 I'm not suggesting that they shouldn't have
13 access to credit or to cash, but we can't allow this
14 discrimination to continue. So, I'm concerned about the
15 split in jurisdiction being structurally entrenched in the
16 legal framework.

17 THE CHAIRPERSON: Thank you very much for
18 your presentation.

19 Is Ms. Diubaldo here from the Native
20 Woman's Transition Centre? Okay, we'll hold her over for
21 another day if we can cater and find other reasons.

22 Is a Ms. Garson here? Okay, we'll check on
23 that.

24 Ms. Klyne of the Aboriginal Visioning Group
25 of North End...?

1 There anybody else here that wants to
2 provide a presentation? Oh, I'm sorry, Ms. Carlyle.

3

4 PRESENTATION BY MS. ELIZABETH CARLYLE:

5 MS. ELIZABETH CARLYLE: Hello, my name is
6 Elizabeth Carlyle, and I'm here on behalf of the Canadian
7 Federation of Students, Manitoba. It's part of a national
8 alliance of students unions from across Canada.

9 The Canadian Federation of Students was
10 formed in 1981 but has predecessor organizations dating
11 back to 1927. We provide students with an effective and
12 united voice provincially and -- and nationally, and we
13 represent 1/2 million student across the country, as well
14 -- including forty-two thousand (42,000) or so here in
15 Manitoba from the College Universitaire de Saint-Boniface,
16 Brandon University, The University of Winnipeg, and the
17 University of Manitoba, both graduate and undergraduate
18 students.

19 So we appreciate this opportunity to
20 comment payday lending charges, and we're happy to see
21 that Manitoba's addressing the issue.

22 We think that it's an important step, and
23 we recognize it's a complex issue, but we think that there
24 are some solutions that are -- that are important to
25 implement and possible.

1 books. Depending on the student's
2 course of study, text books can easily
3 top five hundred dollars (\$500) for a
4 semester's worth of books, and that
5 doesn't take into account notebooks and
6 pens with which to take notes. For
7 students who are paying their own way
8 through college, the beginning of the
9 semester can be a difficult financial
10 time. Some of these students are
11 turning to payday loans to help with the
12 bills."

13 And so another website that provides a
14 counselling service, although it is backed by -- by
15 lenders and other financial services, sings a similar
16 tune, again, emphasizing beginning-of-term expenses and
17 suggesting that payday loans can help students get by
18 between now and their next paycheque. Although, I think a
19 lot of students don't actually have a paycheque or enough
20 of a paycheque to catch up later.

21 So in our experience, it is actually the
22 most vulnerable students who use these services. It's not
23 students who are managing fine and -- and will be repaying
24 the loan quickly.

25 It -- it is sometimes students whose loans

1 have not arrived in time, students who can't afford text
2 books, and students who did not apply for are -- or are
3 ineligible or federal and provincial aid, students whose
4 loans are inadequate to cover emergency expenses such as
5 unforeseen childcare, replacing glasses, replacing a
6 bicycle; those kinds of things. So some students are
7 using it for those reasons.

8 But I think the larger theme that has been
9 addressed here today, and that I would like to reiterate,
10 is that it's often people using payday loans, including
11 students, who simply have inadequate resources. They're
12 poor. They are poor one way or another and -- and they
13 don't have enough money to make ends meet.

14 And another issue raised is the
15 convenience, and definitely that contributes. But again,
16 students who have other means of accessing cash or credit
17 -- family, banks, lines of credit, student loans -- will
18 not use payday loans typically, unless it's an emergency
19 issue that they've already tapped out other resources.

20 So given the average tuition fees in
21 Manitoba exceed three thousand dollars (\$3,000) per year,
22 although they are low -- lowish among Canadian provinces,
23 average student debt in Manitoba still reaches over
24 eighteen thousand dollars (\$18,000) after debt reduction
25 is applied.

1 Many students do borrow from banks or
2 credit unions and that adds to their debt levels. And,
3 so, payday loans, with the rates of interest that they --
4 they carry, are just unsustainable for students, like for
5 the rest of the population.

6 We urge the -- the Public Utilities Board
7 to take action to limit interest rates, but also to
8 address a host of other issues that people have raised
9 here today. The incredibly high interest rates aren't the
10 only issue.

11 And I wanted to address before I get into
12 the other -- some of the other issues the -- that the
13 literature is statistically sort of confusing, because it
14 talks about how it's not particularly low-income people
15 who are using payday lending services, and yet we've heard
16 across the board that it, in fact, is low-income people
17 who are using -- who are relying on payday lending
18 services.

19 And I think that the -- the Board has a
20 challenge to get through the literature and try to
21 understand what the definition of "low income" is and what
22 the definition of "middle class" or "comfortable" is.

23 And the fact that there's a concentration
24 of payday lending businesses in Manitoba's low-income
25 communities, I think, is -- is a good starting point for

1 looking at -- at who uses payday lending.

2 And also Buckland et alia's study from 2005
3 the Canadian Centre for Policy Alternatives, or published
4 through the Canadian Centre for Policy Alternatives, shows
5 that there's a -- there's a disconnect between what the --
6 how payday lending companies present their clientele
7 publicly for promotional purposes as sort of upstanding
8 middle class clientele and how they see their clientele
9 when they're -- when they're asked about their perceptions
10 of their clientele.

11 As -- and they responded by and large, that
12 they sell their clientele as financially irresponsible and
13 -- and made other kinds of moral judgments on their
14 clientele.

15 And so I think that we've heard a lot of
16 perspectives so far today on payday lending and I would
17 just caution the -- the Board not to take a moralistic
18 approach to the clientele and I think that that's an
19 important thing to state. Not that I would assume that
20 that would happen but just that it's -- there -- there is
21 definitely attention between two (2) different
22 perspectives. One is a moralistic approach to dealing
23 with the clientele and to even identifying the clientele
24 and I don't think that's helpful.

25 And so the -- the annualized interest rates

1 are very high. Different documents put them in different
2 -- at different places but any -- sounds like anywhere
3 from about 300 percent to 1000 percent is the going rate
4 for interest.

5 And so the question of why people use these
6 fringe banking services, payday lending in particular, is
7 important but I don't think that the -- the Board should
8 be distracted by the question of why people use them.

9 People are using these services and they
10 need to be regulated. It's clear that the competition
11 model hasn't really panned out anywhere and that -- that
12 there needs to be regulation. In fact we've heard from
13 credit counselling agencies that with the easy credit
14 environment in which we currently exist, students and
15 other vulnerable groups are being targeted by credit card
16 companies, targeted by payday loan companies, targeted by
17 all kinds of -- of aggressive or even predatory lenders
18 and credit product providers.

19 And so I think that it's, you know, now is
20 the time to take action and to do something about it. And
21 I also agree with other speakers that are from the
22 community organizations that the main concern of the Board
23 should not be whether or not payday loan companies can
24 manage with whatever rate of interest the Board decides to
25 impose.

1 I think that the discussion should be about
2 what is fair to the -- to the clients and the users of the
3 service, not so much to the -- to the businesses. I think
4 the businesses need to -- if they -- if they provide a
5 service that people really want they'll find a way to do
6 business and it sounds like a lot of them are very
7 marginal in terms of operating under the law at this point
8 anyway.

9 And so again, don't let the -- the issue of
10 competition blur the decision about how to help people who
11 are being victimized by payday lending and their -- what I
12 would consider I think that the law should consider user's
13 interest rates.

14 I'm glad that someone raised the issue of
15 jurisdiction because it -- it's a point that was made by a
16 Federal research study by Kitching and Starky. They
17 reviewed a lot of issues.

18 The study reviewed a lot of issues that
19 address -- addressing the payday lending and again, it
20 became very clear in reading the study that -- that the
21 Federal level of government had set this interest rate for
22 the definition of usury at 60 percent but that there was
23 absolutely no real ability or clear interest in -- in
24 working towards enforcement.

25 And I think that it -- it's a huge problem

1 that there is a divide between Federal and provincial
2 jurisdiction and it's allowed payday lending companies and
3 a lot of other credit companies including the banks and
4 credit card companies to -- to engage in practices that
5 are not fair and that are in fact usurious.

6 And so in terms of recommendations the
7 Canadian Federation of Students supports the things that
8 have been mentioned by the community groups. That
9 includes allowing a maximum interest rate structure to --
10 on -- for payday loans and other short term loans.

11 It also includes holding the -- the charter
12 banks and other financial institutions that have either
13 never established themselves or vacated the low income
14 communities in this Province to be held accountable and
15 actually be -- be demanded, one way or another, to move
16 back into those communities.

17 I think that there are -- it's more complex
18 than that. I mean there need to be -- there needs to be a
19 discussion about what kind of financial products people in
20 low income communities need. And I think that there hae
21 been some experiments across Canada; the Royal Bank in
22 Toronto for one. And I'm sure you've examined those
23 experiments.

24 I don't think that there a lack of ideas
25 out there for how to ensure that the charter banks and

1 other conventional financial institutions provide small
2 short term loans to people at reasonable rates.

3 And -- and again, not just -- not just
4 regulating interest but also regulating the other charges
5 that are associated that we've heard about today.

6 Another issue that I will raise because it
7 hasn't been discussed much today, although it's been
8 hinted at, is the issue of disclosure. There need to be
9 rules about disclosure of rates for all of the elements of
10 the products that are being offered, not just the interest
11 rates, but all the other charges, and especially the
12 charges for rollover, the charges for anything to do with
13 collection and -- and defaults and those sorts of issues.
14 Because it -- it sounds like a big part of the problem is
15 that even people who are becoming financially literate,
16 and who are seeking answers to their questions about their
17 payday loans are not being provided with clear answers.

18 And that is obviously, at least in part,
19 an issue of disclosure and -- and requiring that there be
20 plain language warnings or -- or provisos in contracts,
21 and the contracts themselves be written in plain language.

22 I think that the -- that the presentation
23 by Aski Financial was very interesting and I'm -- I
24 actually had hoped to learn more about that financial
25 service coming here, and so I'm glad that -- that the

1 presentation took place while I was here. And I think
2 that, although there are lots of questions I have about
3 the service itself, the idea of prohibiting rollovers is a
4 good one, one that is reflected in a couple of the
5 different studies that looked at how to solve the payday
6 lending problem, and also prohibiting the practice of
7 discounting loans.

8 By the way, a lot of the recommendations
9 I'm reading are reflected in the Buckland Study but also
10 in the Kitching and Starky Study which relies on the --
11 the it was an industry committee that -- an industry and
12 public interest committee, it was called the Consumer
13 Measures Committee, it was a working group on the
14 alternative consumer credit market and it's defined in the
15 study as a consortium of Industry Canada and provincial
16 territorial departments responsible for consumer affairs.

17 And so it -- it does include -- it was a
18 Federal/provincial effort to look at the issue, although
19 there wasn't any agreement on interest rates, there was a
20 lot of agreement it sounds like in recommendations on --
21 on the things that I mentioned; in prohibiting the
22 practice of discounting loans prohibiting; the use of wage
23 assignments with respect to loans; prohibiting title loans
24 or auto pawns; applying harmonized debt collection
25 practices to small short-term loans. And all of these

1 financial implications of this for the payday lending
2 industry, but again, I think that it -- the law is the law
3 and unless somebody comes up with a better suggestion or
4 changes the law, it -- and changes the law, it should be -
5 - it should be, at the very minimum, enforced. If the
6 Public Utilities Board chooses to -- to go beyond the law,
7 that's great, and go beyond the federal Criminal Code,
8 that's great.

9 But that should be a minimum starting point
10 and -- and, again, if -- I think that because the Canadian
11 Federation of Students does not have policy on this issue.
12 We don't want to go too much further than that, but we do
13 see that this is a problem that -- that needs attention
14 and so -- where we do have some policy as Canadian
15 Federation of Students is in the area of -- of the
16 responsibilities of financial institutions.

17 And so we would like to echo what we found
18 in a -- a number of studies as well as what we've heard
19 around the table today; that we need government-led
20 education programs designed to promote financial literacy;
21 that we need to promote competition from traditional banks
22 and other financial institutions in order to better
23 control costs in the alternative consumer credit market,
24 costs for the consumer, and also that we need reforms to
25 make the process of bank closure in low income and rural

1 neighbourhoods more onerous, or simply to require a
2 presence in low income neighbourhoods, as well as
3 government aide for the establishment of community banking
4 operations in low-income Canadian neighbourhoods.

5 And, so I think all of those things have
6 been mentioned as options and should continue to be
7 investigated and the Board should take action to the
8 extent that it can on -- in those areas and really
9 recommend strongly that those things be pursued. And, to
10 -- to close up I do, as I said before, agree that this a
11 complex public policy challenge, but I would just again
12 stress that voluntary compliance I don't think is an
13 effective option.

14 And that I hope the -- the Board will --
15 will consider going beyond the issue of simply the
16 interest rates and charges and go into some of the policy
17 recommendations that can make around the policy of
18 rollovers the policy of additional charges and -- and
19 place limitations on those or -- or do away with some of
20 those elements all together.

21 And, I would really encourage, it was
22 actually news to me that Quebec has typically -- has
23 historically not allowed payday lending. My reading of
24 the literature didn't make that clear to me.

25 And so the -- the fact that Quebec has --

1 has been able to address this issue by not allowing payday
2 lending if that's -- if that is in fact the case, I think
3 that that is an important option to consider and, you
4 know, in -- in so many ways is a simpler option to
5 consider. And that would leave the Board to focus more
6 squarely on some of the more broad-based issues which
7 would include alternative ways to get people the -- the
8 short term credit they need as well as suggestions for
9 eradicating the kind poverty that makes people reliant on
10 payday loans in the first place.

11 And, so I would like at this point to thank
12 you very much for your time and attention to these issues,
13 and I hope that -- that you will deliberate with well --
14 that your deliberations will lead you to some strong
15 conclusions that will help clients of these payday loans.

16 THE CHAIRPERSON: Thank you very much.
17 Thanks for making a presentation today.

18 Is there anyone else here that hasn't given
19 a presentation that's on the list right now?

20

21 PRESENTATION BY MR. WAYNE VANTASSEL (INSERTED BELOW)

22

23 My name is Wayne Vantassel. I am 46 years
24 old. I am single. I am employed by the Manitoba
25 Department of Justice.

1 I thank you for the opportunity to make a
2 presentation with respect to payday loans.

3 Approximately five years ago I required
4 money to send my mother to Nova Scotia with respect to a
5 death in the family. I needed the money quickly. I had a
6 bank account. I asked my bank to advance me funds. It
7 refused. My credit rating had been hampered as a result
8 of a lot of debts I assumed following a separation from my
9 common law spouse. I tried City Financial and Wells
10 Fargo. They refused. I knew I would have enough cash
11 coming in within two weeks to pay for the plane fare.

12 I therefore tried to get a payday loan at
13 the Cash Store. They were very friendly. They made me
14 feel very comfortable. This is not always so given my
15 tattoos. The loan requirements were explained to me. I
16 left the store and got the required documents. I came
17 back and they processed everything for me right away.
18 They gave me the money which I needed to send my mother to
19 Nova Scotia. I was able to pay back the loan when it was
20 due.

21 I had tried subsequently to get advances
22 from City Bank which had consolidated some of my debts.
23 My request was refused.

24 I have, over the years, used the services
25 of Cash Stores. I know that there may be other payday

1 loan companies which may offer loans at a lower rate.
 2 However, I am willing to pay extra cost for the service
 3 provided by Cash Stores. I prefer to take the loan by way
 4 of a card instead of cash. They are always friendly and
 5 provide me excellent service. I can take 20 to 30 minutes
 6 talking to them. My experience with them has always been
 7 a good experience. I am quite comfortable with them.

8 I have continued to use the services of
 9 Cash Store because unanticipated expenses. For example,
 10 on another occasion, I sent my mother out of Province, on
 11 the spur of the moment, to her granddaughter's graduation.
 12 My salary last year was over \$80,000.

13 I have used the services of Money Mart to
 14 get a prepaid credit card. I really didn't enjoy the
 15 atmosphere. The service was not as friendly. I felt that
 16 they just wanted my business and then wanted me out of
 17 there.

18 I know some people may have the view that
 19 these companies are shysters or loan sharks. Nobody
 20 forces me to take payday loans. It has been a positive
 21 experience for me. They call me before the loan is due to
 22 remind that it is due. I appreciate receiving these
 23 calls. Sometimes I have picked up an overtime shift and
 24 couldn't go down on the due date. They are very upfront
 25 and straightforward as to what the total cost will be. I

1 have seen the way they treat other customers and have been
2 impressed by the professional way customers are treated.
3 They have always answered any question I had.

4 The Cash Store manager had asked me whether
5 I was willing to share my views with you on payday loans.
6 I accepted to do so. I felt it was the least I could do
7 given the friendly way which they treat me.

8 Thank you very much for listening to what I
9 had to say.

10 (INSERT CONCLUDED)

11

12 THE CHAIRPERSON: Okay, there not being
13 any here now, we'll adjourn until tomorrow at 10:30. I
14 believe we have, is it two (2) more presentations
15 apparently tomorrow morning, and then we'll be returning
16 to Assistive and Mr. Williams. So thanks to all. We're
17 adjourned for now.

18

19 --- Upon adjourning at 3:21 p.m.

20

21 Certified correct,

22

23

24 _____
Wendy Warnock, Ms.

25