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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 29th, 2007
Pages 1685 to 1934

1	APPEARANCES	
2		
3	Anita Southall	) Board Counsel
4		
5	Leo Sorenson (Np)	) Sorenson's Loans Till
6		) Payday
7		
8	Antoine Hacault	) Rentcash Inc.
9	Michael Thompson)
10	Mona Pollitt-Smith)
11		
12	Allan Foran	) Canadian Payday Loan
13	Lucia Stuhldreier	) Association
14		
15	Byron Williams	) CAC/MSOS
16		
17	Nathan Slee (Np)	) 310-Loan
18		
19	Robert Dawson (np)	) Assistive Financial
20		) Corporation
21		
22	Steve Sardo (Np)) Cash X
23		
24	Kent Taylor (Np)) Progressive Insurance
25) Solutions

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1 --- Upon commencing at 9:05 a.m.

2

3 THE CHAIRPERSON: Okay, good morning
4 everyone. It just seems we were just here, doesn't it?
5 So I believe Mr. Hacault, it's time for your -- the panel
6 now?

7 MR. ANTOINE HACAULT: That's correct, Mr.
8 Chairman. Good morning also to -- to the other members of
9 the Board.

10 The next witness is presenting on behalf of
11 Rentcash are Gordon Reykdal, the Chief Executive Officer
12 and President of that company and Nancy Bland, the Chief
13 Financial Officer. So if we could ask the Board secretary
14 to swear in the witnesses, they can begin their
15 presentation.

16 THE CHAIRPERSON: Mr. Gaudreau...?

17 MR. ALLAN FORAN: If I could just for a
18 moment, Mr. Chairman, I -- I was -- it was pointed out to
19 me I was not a good host yesterday. I have an
20 introduction to make.

21 Sitting with the CPLA folks in -- in the
22 crowd is Mr. David Hughes who is President of -- of Cash
23 Money. If I could just have him stand. Mr. Hughes was
24 here yesterday to observe this, and just wanted to welcome
25 him to Winnipeg.

1 THE CHAIRPERSON: Thank you, Mr. Foran.

2

3 RENTCASH PANEL:

4 NANCY BLAND, Sworn

5 GORDON REYKDAL, Sworn

6

7 THE CHAIRPERSON: You can begin any time,
8 sir.

9

10 EXAMINATION-IN-CHIEF BY MR. ANTOINE HACAULT:

11 MR. ANTOINE HACAULT: Having been sworn
12 in, could you introduce yourself, Mr. Reykdal and -- and
13 also introduce Nancy perhaps very briefly and then you can
14 begin your presentation.

15 MR. GORDON REYKDAL: Hi, my name is Gordon
16 Reykdal, I'm the Chairman, President and CEO of Rentcash.
17 To my right...

18 MS. NANCY BLAND: I'm Nancy Bland and I'm
19 the Chief Financial Officer of Rentcash.

20 MR. GORDON REYKDAL: So I'll begin. Good
21 morning. I'd like to, first of all, thank the Board for
22 the opportunity to participate as an Intervener in these
23 proceedings.

24 Through InstaLoans and the Cash Store
25 chains, Rentcash owns and operates twenty-six (26) payday

1 loan brokerage outlets in the Province of Manitoba.

2 In fiscal 2007 we provided payday loan
3 service to roughly twenty-seven thousand (27,000)
4 Manitobans.

5 A little about my background. I'm an
6 entrepreneur from Edmonton, Alberta. I have almost thirty
7 (30) years experience in the retail alternative financial
8 services sector.

9 My background is primarily in the
10 electronics/furniture/appliances rental/purchase business
11 which I first started in the early '80s. And I built my
12 first business to fifty (50) stores over an eleven (11)
13 year period. And then my second business to a hundred and
14 forty (140) stores which was the largest rental/purchase
15 company in Canada.

16 And although I sold my shares in that
17 business in early 2000, it continues to operate under the
18 banner, "Easy Home" and is still a publicly-traded company
19 on the Toronto Stock Exchange.

20 I founded RentCash in 2001, and this
21 required a great deal of research on the payday advance
22 business both in Canada and the US. And we looked at the
23 US because that's where the industry was much more mature
24 to get a little more research on the industry.

25 And so, as an owner/operator of these three

1 (3) major enterprises in the alternative financial
2 services sector, I know a great deal about my customers
3 and what their requirements are.

4 A little on RentCash's corporate profile.
5 RentCash is the only payday advance broker in Canada
6 publicly traded on the Toronto Stock Exchange. At the
7 year end, we operated four hundred and twenty-three (423)
8 stores across Canada under the three (3) banners; "The
9 Cash Store," "InstaLoans," and "InstaRent," and we employ
10 over eighteen hundred (1,800) associates.

11 The principal business is the brokering of
12 payday loans, and at year end the Broker's Division
13 operated three hundred and fifty-eight (358) stores in
14 nine (9) provinces and two (2) territories.

15 And The Cash Store and InstaLoans acted as
16 brokers to facilitate payday advance services to income-
17 earning consumers who may be unable to obtain credit they
18 need from the traditional financial sources.

19 Summaries on some of the rates and how does
20 Rentcash -- how -- how much does it cost for a payday loan
21 through the RentCash outlet?

22 As previously mentioned, Rentcash is a
23 broker, and we do not lend money to the customers
24 directly. We identify third -- willing third-party
25 lenders that are arm's length to us and the lenders

1 advance the funds to our customers and charge the
2 customers a rate of 59 percent per annum which equates to
3 approximately sixteen (16) cents per day per hundred
4 dollars borrowed.

5 Interest applies to principal outstanding
6 until it is fully repaid and interest is paid directly to
7 the lenders.

8 Rentcash charges a broker fee for
9 facilitating the transaction and gets paid for its
10 services at the -- by the customers at the time the funds
11 are advanced.

12 For a regular payday loan, we charge a
13 brokerage fee of 20 percent of the total amount advanced
14 for up to eighteen (18) days.

15 For our signature loan products which is a
16 longer-term product for persons on fixed income, we charge
17 a brokerage fee of 23 percent of the total amount advanced
18 and those loans are generally up to thirty-one (31) days.

19 Rentcash charges its broker fee immediately
20 after the loan had been advanced from -- to the borrower.
21 As a result, amounts advanced to the customers typically
22 include the amount that they paid to Rentcash for our
23 broker services. This is industry standard practice for
24 financial services brokers, but may not be consistent with
25 the use of the terms and amounts borrowed by other

1 companies.

2 As a percentage of the value received by
3 the customer, the payday loan broker fee is 25 percent for
4 up to the eighteen (18) days, and, for the signature
5 loans, it's 29.87 percent for up to thirty-one (31) days.

6 Customers have the option of receiving
7 their loans by way of a cheque, a debit card, or a prepaid
8 credit card. We are also in the process of being able to
9 offer same-day electronic fund transfers directly to the
10 customers' accounts. And there are no service charges
11 associated with receiving a loan by cheque.

12 The initial fee for the debit cards offered
13 to customers is eight dollars (\$8) with no monthly
14 maintenance fees attached to that.

15 And the initial prepaid credit card fee is
16 fourteen ninety-nine (14.99) and there is a monthly
17 maintenance fee attached to that of seven ninety-five
18 (7.95)per month.

19 These are all fees -- these are all load --
20 there are also load fees attached to both of these cards.
21 Card services are provided to our customers by DirectCash
22 which is a Schedule 1 bank and is arm's length to us.

23 Card fees typically form part of the amount
24 advanced to the customers and, as such, they attract both
25 interest and broker fees.

1 I should point out, though, that for
2 RentCash's first year of operations, lenders provided
3 loans only way by -- only by way of cheque. Our debit
4 cards and prepaid credit cards were developed in response
5 to consumer demand and which were -- provided a more
6 convenient option for the customer.

7 The company also has optional insurance and
8 customers; they have the option to purchase from an arm's
9 length third party a provider a payment protection plan
10 that pays out their loan in the cases of accidental death,
11 dismemberment -- dismemberment, disability, job loss, or
12 disease.

13 And the cost of this optional insurance
14 product is 2.5 percent of the total principal loan amount.
15 And the product provides good value for our customers,
16 and, over the past year, it's been in excess of \$1 million
17 in claims have been paid out in customers -- for
18 customers. Pardon me.

19 There is no broker fee charged on the
20 portion of the -- of the loan that relates to the
21 insurance premiums. And, with respect to default fees, in
22 Manitoba only ,we are testing fee reductions in two (2)
23 areas and if they are successful, we plan to roll them out
24 to the rest of the country.

25 Based on what our customers have told us,

1 there appears to be some confusion about when default and
2 related fees will be charged. In response to this,
3 effective October 17th, we have completely eliminated NSF
4 charges to our customers.

5 We have also implemented a one (1) time
6 flat default fee of twenty-five dollars (\$25). So, if a
7 customer goes into default, this is the only fee that
8 they'll be charged for the first ninety (90) days.

9 This is -- this fee is significantly lower
10 than the NSF fees or default fees charged by any major
11 bank or any of our competitors.

12 With respect to competition in the
13 marketplace -- on the matter of the level of competition
14 in the marketplace, there seems to be a perception amongst
15 industry critics that payday loans are all the same.

16 Along the same lines, there was a
17 perception that all payday loan customers are the same and
18 that they care only that they -- all they care about is
19 getting the money at the lowest cost possible.

20 This is not the Rentcash experience.
21 Rentcash does not solely compete on price. We are not the
22 lowest cost provider in the marketplace, nor are we the
23 highest. To distinguish ourselves in the marketplace,
24 Rentcash seeks to provide customers with the highest
25 quality service and experience.

1 We routinely hear -- routinely hear from
2 our customers that the difference in quality service is
3 noted and appreciated. We know that our customers have
4 price shopped, and that they're aware that other stores
5 may offer somewhat lower prices, but the customers still
6 choose our stores.

7 We strive to offer customers a positive
8 experience so they will return to our stores when they
9 next require our services.

10 Let me provide with you some -- with three
11 (3) specific examples of a higher-quality experience.

12 First, we keep very little cash on hand in
13 our stores, and we don't advance loans by way of cash.

14 This decision brings with it a cost to have
15 the electronic funds system. We hear from our customers
16 that they appreciate the convenience of these systems.
17 With no bulletproof glass in our stores, they also are
18 able to provide customers with an atmosphere that is
19 welcoming and comfortable.

20 Second, we make pre-calls to our customers
21 three (3) days before their loans are due. This service
22 is a reminder to our customers of their due date. It also
23 gives us the time to discuss with our customers to ensure
24 that their cheque would clear their account, and, by way
25 of doing this, we don't -- we prevent them from having un

1 -- any NSF charges being charged to them from their --
2 from their bank for dishonoured cheque.

3 It also gives our staff the opportunity to
4 work out a payment arrangements with the customers advance
5 of their due date if they are unable to pay it on time.

6 Third, Rentcash has strong processes and
7 controls and training, and transaction and collection
8 processes are clearly defined and associates are trained
9 to closely adhere to corporate systems.

10 The company has a continuous training
11 program with training centres throughout the country, as
12 well as using in-store sessions. Training materials are
13 regularly provided to our employees.

14 To assess our success in this area, the
15 company regularly conducts mystery calls as well as
16 internal audits to ensure the associates are operating to
17 corporate standards.

18 If standards are not being met, training
19 specialists are sent in to each individual store location.
20 Our service costs are reflected in our prices.

21 Rentcash commissioned a customer survey for
22 Manitoba in 2007 by Bannister Research and the results of
23 this survey were summarized at page 37 and 38 of our
24 evidence.

25 The survey confirmed -- confirmed that our

1 efforts to maintain high service levels are working. We
2 received very high approval ratings in all categories
3 measured, with approximately 80 percent or more of our
4 customer surveyed indicating they were satisfied or very
5 satisfied on each area.

6 With respect to co-locations, critics argue
7 customers do not have the readily available -- are not
8 readily available to price shop, and this is not the case.
9 For example, typically our locations are within sight of
10 the largest direct competitor, Money Mart.

11 Any customer can go to both stores and get
12 cost quotes before making a decision. And one -- another
13 important note is that both companies offer the right to
14 rescind.

15 So, even if a customer did get a loan from
16 one company and then decided to change and go to the next
17 for either be price or service, they can unwind that
18 transaction for no cost. That's a very important feature
19 also too.

20 As the Board has heard, Money Mart posts
21 lower rates than Rentcash, yet the customers -- our
22 customer base continues to grow. This is not to say that
23 price is irrelevant to customers.

24 We know the customers will pay some added
25 amount for a higher quality of service we provide, but it

1 is limited. We expect that if we raised our prices in the
2 current marketplace, we would lose customers similar to
3 any normal competitive company.

4 In the competitive payday loans industry,
5 there are constant pressures to keep costs under control.
6 This is for two (2) reasons.

7 Firstly, it is essential to keep costs down
8 so the prices can be kept in line with the industry in
9 light of the quality of service a company provides.

10 If we were to cut our costs and thereby
11 reduce our rates, it would be clear -- it would be a clear
12 competitive advantage to our company. In other words, if
13 we could -- if we could simply cut our prices, we would.

14 Second, we are under continuous pressure
15 from shareholders to keep our costs down in order to
16 maintain a reasonable level of earnings and returns.

17 The Coalition claims that the rates do not
18 matter, and customers use a product regardless of whether
19 the company's rates are competitive, and the Coalition
20 also states that payday lenders are inefficient, and could
21 readily pare back costs to become more efficient under a
22 low rate cap.

23 I can tell you, based on my experience,
24 that I must continually monitor my product and price
25 offerings to maintain and grow our market share.

1 I can also tell you from experience that I
2 constantly have to monitor and reduce our costs.

3 On the matter of risk, it is clear that the
4 payday loans are a higher risk product, and the loans are
5 unsecured. Only basic customer information is collected.
6 No credit checks are done on -- to any of the customers.
7 And when compared to traditional loan products, payday
8 loan defaults are very high.

9 In Rentcash's case, we have noted that our
10 lenders routinely see default rates in the range of five
11 (5) to 6 percent. At times, defaults have been as high as
12 8 percent.

13 Different lenders manage the risk in their
14 own way, and each have a different tolerance to risk.

15 Lenders who manage risk by bearing higher
16 risk customers can survive with lower rates than those who
17 serve a broader range of clientele.

18 Rentcash's lenders are willing to advance
19 funds to those who may not qualify for loans through other
20 lenders. This may include, in some cases, customers who
21 have previously defaulted, so long as the lender is
22 satisfied that the current loan the customer will make
23 every effort to repay.

24 In respect to payday lending, two (2) key
25 elements that influence risk are the size and the duration

1 of the loan. Both in the risk of default, the dollar
2 value loss are higher if a customer borrows a thousand
3 dollars (\$1,000) than if they borrow three hundred (\$300).

4 Risk is also higher if a person borrows for
5 one (1) month than if they borrow for two (2) weeks.

6 The Rentcash lenders also are quite unique
7 in their offering loans to customers who receive monthly
8 income, such as fixed incomes. If the lenders do not
9 offer this service, there would be no large provider in
10 the marketplace advancing funds to persons on fixed
11 income.

12 With respect to rollovers, it has been a
13 common practice within the -- when the industry started to
14 allow customers to rollover loans.

15 We now know that payday lenders essentially
16 have two (2) different alternative business strategies
17 available to them.

18 One (1) strategy is to offer short term
19 loans to customers with short term needs who can readily
20 repay off the balance as agreed.

21 The other is to provide what is portrayed
22 as a short-term loan to consumers with limited ability to
23 repay, and what turns out to be a long term, or near
24 permanent basis loan.

25 This happened as a result of loans that are

1 rolled over many times. For lenders who make these loans,
2 the principal is not routinely recovered, if ever.

3 However, the stream of rollover fees is
4 more -- more than compensates the -- for the lender for
5 these loans.

6 This second strategy, utilizing rollovers,
7 can be very profitable.

8 Many lenders in our industry have
9 recognized the harm in rollover as it -- and what it
10 causes for consumers, for the public perception of the
11 industry, and ultimately the lenders themselves.

12 As a result, on their own -- and on their
13 own initiative, most of the larger lenders no longer offer
14 rollovers.

15 In Rentcash's view, the Board should
16 recommend an amendment to the legislation to prohibit
17 rollovers by all lenders.

18 In the event that rollovers are not
19 prohibited, there is a practical impact on rate setting.
20 The Board has to remain aware that companies who elect to
21 offer rollovers may use the profits from rollovers to
22 cross-subsidize the cost of the initial loan.

23 The maximum rates allowed by this Board
24 should not be at a level that encourage increased
25 availability of rollovers.

1 It is helpful to consider Rentcash's
2 experience when we chose to stop offering rollovers in
3 2005. We now know that we failed to understand the
4 impacts that the decision would have on the company, or
5 the borrowers.

6 This decision to eliminate rollovers
7 uncovered a troubling fact. That most of the people using
8 the rollover option simply could not come up with the
9 funds to repay the principal of a loan off when it became
10 due. Many borrowers defaulted, and for the company, the
11 decision caused a major re -- reduction in share price and
12 capitalization.

13 Rentcash was also forced to help make sure
14 the lenders did not bear the entire financial brunt of the
15 change on their own.

16 There is a suggestion in this hearing that
17 repeat customers are somewhat equivalent to those that
18 rollover their loans. I can assure the Board that these
19 are very different.

20 We have customers who use our services more
21 than once a year. Some more than once a month for a
22 period of time. However, each of our customers must repay
23 the principal borrowed as set out by the lender agreements
24 in order to stay out of default.

25 This repeat borrow is -- is a -- is -- is

1 very different than those who rollover loans. Rollover
2 customers are those who simply do not, or cannot, repay
3 the principal at the due date, if ever.

4 Similar to any business, payday loan
5 operators seek to secure future business from past
6 customers. This is a perfectly rational and competitive
7 business strategy, similar to any bank, or indeed almost
8 any retail business. And a -- and it is -- and it is a
9 major reason we focus heavily on high quality customer
10 service. We rely on word of mouth.

11 It is also a reason our lenders no longer
12 provide rollovers. We look to serve customers who have
13 the financial wherewithal to repay their loans and perhaps
14 at some time in the future, choose to use our service
15 again.

16 As we noted in our rebuttal evidence,
17 Rentcash believes that its customers are very well aware
18 of the cost of a loan. Customers always leave a cheque
19 with us to cover the full repayment of all the principal
20 fees and interest.

21 We recognize that price quotes from various
22 potential lenders are not always equivalent. For example,
23 brokers like Rentcash would quote their cost as a
24 percentage of the amount advanced which may not be the
25 same approach for firms who lend their own funds.

1 This may make it difficult today for
2 customers to price-compare by a simple phone call. For
3 example, basic terms like loan principal or amount
4 borrowed or amount advanced, can have very different
5 meanings for service providers.

6 However, Rentcash is optimistic that this
7 situation will be fully rectified once the Manitoba
8 regulations regarding disclosure on fees and charges are
9 in place.

10 But for now, the rate confusion has a major
11 impact on the current hearings. We caution the Board to
12 be careful with the various rate surveys provided in this
13 hearing. Each of the surveys appears to have internal
14 inconsistencies with respect to the rate -- citing rate --
15 rates quoted over the phone or from similar sources.

16 Rentcash had hoped to complete a
17 comprehensive mystery shopper survey of all the companies
18 in Manitoba for submission to the Board. This was in --
19 this was to include actual borrowings at each store in
20 order to provide a consistent and reliable data set on the
21 cost of credit for this hearing.

22 However, we were unable to complete the
23 exercise as many lenders would not loan to our
24 investigators for the various reasons.

25 It has become clear that for -- for the

1 review in three (3) years -- in the -- in three (3) years
2 time, the Board will need to ensure that it collects
3 consistent, reliable data on the rates charged by each
4 payday loan operator to allow for a fair and accurate
5 summary of the rates being charged.

6 Our major points of concern regarding other
7 Intervenor's submissions are set out in a rebuttal
8 evidence, and I'd like to address three (3) of these
9 issues.

10 The first relates to the concept of tiered
11 or sliding price scale; and the second relates to Dr.
12 Robinson's cost analysis model; and the third relates to
13 the allegations regarding the collection of consumer
14 information and appropriate disclosure for financial
15 services products.

16 I'll discuss briefly each of the points.
17 In the submission on September 17th of CashX, they
18 originally proposed a tiered rating system based on a
19 notion that loan losses and risk are -- and, consequently,
20 cost, declines as loan value increases.

21 The initial submission indicated by CashX
22 provided larger value loans only to those clients that
23 have established a solid repayment history.

24 Through this method, CashX's bad debt
25 experience is described as declining as the size of the

1 loan increases. CashX concludes that in the initial
2 submission, that it makes more sense to charge more per
3 hundred on smaller loans and less per hundred on larger
4 loans.

5 And Dr. Robinson comes to a similar rate
6 model in his various submissions. This tiered rate
7 approach does not reflect Rentcash's experience for
8 business model.

9 Rentcash lenders do not require customers
10 to establish a repayment history to qualify for loans
11 above a certain amount. And borrowers who qualify for a
12 loan can borrow up to 50 percent of their take-home pay.

13 And as previously noted, our lender's
14 experience has been that the risk of default increases as
15 the size and duration of the loan increases. Larger loans
16 carry higher risks than lower loans. Similarly, thirty-
17 one (31) day loans carry a higher risk than the fourteen
18 (14) day loans.

19 Although common or fixed costs of servicing
20 a loan do not increase proportionately with increasing
21 size of loans, the impacts of default increase on a
22 greater and a proportionate basis.

23 As a result, a simpler linear or non-tiered
24 rate structure is more appropriate than the sliding scale.
25 A simple standard cost per hundred is also much easier for

1 our customers to understand.

2 It is Rentcash's position that a tiered
3 rate structure would restrict the availability of credit
4 to consumers and restricting -- by a few points --
5 restricting access to larger loan amounts, restricting
6 access to credit for higher risk borrowers and restricting
7 the availability of longer term loans for person on fixed
8 income.

9 Further, if a tiered structure were
10 adopted, the incentive would exist for customers to stay
11 with a single lender to establish a loan history that --
12 with one (1) lender. Otherwise, customers would not be
13 able to access larger or longer term loans.

14 This outcome would reduce the
15 practicability for customers to price-shop among
16 competitors which would impede competition in the
17 marketplace rather than enhancing it.

18 With Dr. Robinson's cost model in his ta --
19 Table 1, Model of a Single Store Operation -- it appears
20 to be central to his analysis. All of the rate
21 recommendation appear to build -- be built on or reflect
22 on a basic thinking incorporated into this table.

23 And Dr. Robinson's evidence includes
24 numerical assertions that bear no resemblance to the cost
25 of operating here in Manitoba. For example, business-

1 related variables such as loan volume per store, loan
 2 losses are inaccurate. Cost items are materially
 3 significant such as tax -- or cost items of material
 4 significance such as taxes are absent from this analysis.

5 And the most obvious errors are as follows
 6 and I point to the -- the largest first. The table shows
 7 the loan volumes per store of a \$1 million for a small
 8 store, two (2) million for a medium-size store, \$3 million
 9 for a large store, and five (5) million for a very large
 10 store. And he assumes that a large provider can easily
 11 reach the volumes of the very large store of \$5 million.
 12 This is not correct.

13 Rentcash is one of the largest providers in
 14 the province of Manitoba, and we have twenty (20) -- and
 15 twenty (20) of our twenty-six (26) outlets have been open
 16 for more than one (1) year and only two (2) of these
 17 stores have volumes in excess of \$2 million.

18 On the other end of the scale, seven (7) of
 19 Rentcash's stores that have been open for more than one
 20 (1) year have volumes less than \$1 million which is
 21 similar to any -- is -- doesn't even resemble anything
 22 what Rob -- Robinson has on his tables, period.

23 A more accurate summary of a typical loan
 24 volumes per store is the CPLA's Deloitte and Touche study
 25 that showed average per store loan volumes of seven

1 hundred and fifteen thousand dollars (\$715,000) per store.

2 Second, Dr. Robinson uses default rates of
3 3 percent to 4 percent in his model based on the 2004
4 Ernst & Young study and this approach is also flawed.

5 The 2004 Ernst & Young study was completed
6 when most operators granted rollovers which significantly
7 lessens the rate of default. Rentcash's lenders' default
8 rate is in the range of 5 to 6 percent and has recently
9 been as high as 8 percent. Consequently, Dr. Robinson's
10 analysis of fair -- analysis far understate the
11 appropriate levels of loan losses.

12 And third, Dr. Robinson suggests that
13 cheque cashing volumes of seventy thousand dollars
14 (\$70,000) to two hundred and eighty thousand dollars
15 (\$280,000) per store are possible.

16 If your company is established the market
17 leader in the case of Money Mart, perhaps this may be the
18 case. But I can assure the Board that despite aggressive
19 pricing on our part we have come nowhere near achieving
20 these levels in our cheque cashing line of business, and
21 we currently offer cheque cashing rates that are half of
22 that of Money Mart's and we're barely achieving 3 percent
23 of what Dr. Robinson's estimating in his volumes.

24 As a result, we are in no position to
25 cross-subsidize our payday loan revenues from our cheque

1 cashing business and I doubt that it'll be -- we'd be in
2 any position to do so in the near future.

3 Dr. Robinson's analysis and conclusions
4 are, in my opinion, deeply flawed. As a final comment in
5 this area I note that his conclusion on page 20 -- 28 of
6 his report for Acorn he says that:

7 "Payday loan rate cap proposals will
8 save consumers a \$194 million annually
9 including \$80 million from The Cash
10 Store".

11 Well, for fiscal 2007 our pro forma net
12 income which excludes the rental division was \$8.4
13 million. So no matter how much I sharpen my pencils I'm
14 positive that we're -- we're not going to come up with \$80
15 million in savings for customers.

16 With respect to Dr. Buckland's evidence he
17 sets out a number of comments related to inadequate
18 disclosure by payday lenders during the Coalition mystery
19 shopping experience.

20 Rentcash was troubled by these allegations,
21 particularly given the lengths our company goes to -- to
22 making sure its customers are well informed regarding the
23 transaction. The evidence notes that mystery shopper --
24 mystery shopper customers were provided poor information
25 on what the transactions would entail. We're required to

1 provide information that may -- may exceed the normal
2 standards of privacy and the customers could not really
3 understand the fine print of the materials they were
4 provided to sign.

5 As a result of this -- of his -- this
6 submission of the reports Rentcash made inquiries of Randy
7 Hansford. Mr. Randy Hansford has over thirty (30) years
8 of work experience in the financial services sector
9 including credit unions. In the period from February 5th
10 to May 31st, 2007, Mr. Hansford provided consulting
11 services to the Consumers' Bureau of the Government of
12 Manitoba in respect to the new regulatory regime for
13 payday loans. I recently spoke with Mr. Hansford and he
14 informed me that as part of his mandate for the province
15 he visited seven (7) locations representing five (5)
16 companies in the province.

17 His visits included the -- one (1) Cash
18 Store and one (1) InstaLoans location. He spent from one
19 and a half (1-1/2) to two (2) hours in each of the seven
20 (7) stores he visited. He also met with the management of
21 each of the companies including Rentcash.

22 And based on his store observations he had
23 four (4) key conclusions: Staff was polite and service
24 orientated. He observed that customers were not under
25 duress nor were -- nor was any pressure placed on them to

1 conclude a transaction. Applications of documents were
2 comparable to or similar than -- comparable to or similar
3 than mainstream financial institutions. Payday loan
4 customers have many choices. There's almost more than one
5 (1) payday lender in the vicinity, and given his lengthy
6 experience with the credit union industry it was his -- it
7 was interesting to hear his conclusion that credit unions
8 would not bring anymore efficiency to the market as the
9 payday lenders he visited appeared to be very efficient.

10 Other items arising in the proceedings
11 relate to the Deloitte's and E&Y study. The CPL -- CPLA's
12 Deloitte and Touche report concluded that the cost--

13 MR. ANTOINE HACAULT: Mr. Reykdal, on that
14 point, did you speak to Mr. Hansford (phonetic)? You said
15 he was part of the Consumers Bureau.

16 Did you speak to him at all about the --
17 the level of complaints, if any, levied against the
18 industry in Manitoba?

19 MR. GORDON REYKDAL: Yes, I -- I did.
20 He'd mentioned to me that he'd confirmed there was four
21 (4) complaints in the Province of Manitoba last year.

22 Three (3) were against one (1) company that
23 is no longer providing services in Manitoba, and the other
24 one (1) was -- the other complaint was a collection-
25 related complaint, but were all resolved.

1 But all -- all the complaints, by the way,
2 were all for customers that were in defaults of loans that
3 -- that really raised the complaint. There was no other
4 complaints that were arisen, so very narrow.

5 He -- he observed the customers again --
6 going back to the Deloitte study -- he -- he also -- with
7 respect to Randy, he was -- he did spend a lot of time
8 with -- with all of our management staff and, you know,
9 did feel the customers were getting good value for
10 service, and that was very apparent because he also did
11 speak to some customers also.

12 On the -- yeah, the CPLA's Deloitte and
13 Touche report, they concluded that the cost was twenty-six
14 (26) eighty-seven (87), and the 2004 report from -- that
15 the CPLA commissioned by Ernst & Young concluded the
16 average cost of the product was twenty dollars and sixty-
17 six cents (\$20.66) for a hundred dollars (\$100) advanced.

18 And the coalition material indicates that
19 they would have exp -- expected the cost in Deloitte to be
20 lower than that of Ernst & Young report due to
21 efficiencies assumed that would have been achieved in the
22 industry since the E&Y report was done.

23 In the opinion of Rentcash, the Ernst &
24 Young restudy does not appropriately point out -- isn't --
25 not an appropriate point of comparison as the study was

1 conducted when the participants were providing rollovers.

2 As a contributor of the study, Rentcash can
3 verify that that is indeed the case. When Rentcash
4 stopped providing rollover loans, volumes dropped, but our
5 cost of op -- of operations didn't change.

6 In fact, they increased. The resulting
7 cost per hundred dollars (\$100) therefore increased in
8 both factors in lower volumes and higher costs.

9 It is important to note the Ernst & Young
10 study identified an average cost of twenty dollars and
11 sixty-six cents (\$20.66), but measured eighteen (18)
12 twenty (20) as the cost of a rollover, or repeat loan, and
13 thirty-nine (39) forty-five (45) for the first time
14 customers.

15 Each of these figures is from the 2004
16 report, ignoring inflation since that time.

17 The overall average cost data utilized by
18 Ernst & Young is no longer relevant. Costing data today
19 cannot simply reflect the average cost per customer of
20 twenty dollars and sixty-six cents (\$20.66). Today, more
21 weight must be placed on the measured non-rollover costs
22 of thirty-nine (39) forty-five (45) per hundred (100).

23 As a separate point of note, the Board must
24 be mindful that Ernst & Young study concludes that --
25 conclusions were based on loan volume calculations that do

1 not correspond to the concept of value received
2 contemplated by the new regulations as assumed to be based
3 -- and assumed to be the basis for the Board's maximum
4 rate of -- on these proceedings.

5 In the case of Rentcash, this means that
6 the loan volume figures submitted to Ernst & Young did not
7 separately identify brokerage fees which were part of the
8 loan volume, but -- but would not be part of the value
9 received by the customers.

10 Adjusting the study for these items would
11 necessitate an upwards adjustment of the cost per hundred
12 dollars (\$100) in the Ernst & Young study of 25 percent
13 for all the Rentcash data provided.

14 As a result of these factors, the average
15 cost per hundred (100) loan based on Ernst & Young would
16 be significantly higher than the twenty sixty-six arrived
17 in their study.

18 A final comment on the evidence submitted
19 by Dr. Gould report on behalf of the CPLA includes a table
20 of financial data on Money Mart's parent corporation,
21 Dollar Financial.

22 And when I'm speaking about the dollar
23 financial numbers, and specifically Money Mart, I'm by no
24 means being critical on their financial performance.
25 They've got very good strong financial performance, and

1 they're a great competitor in the marketplace, but I
2 wanted to point out a few points with respect to some of
3 the data that was provided.

4 The table shows that the cheque cashing
5 revenues were \$72 million for -- for the company, and
6 those were -- they took the Q3 numbers that were provided
7 publically, and annualized those. And their loan volume
8 revenues were \$104 million, again on the same basis. And
9 their income before taxes was \$56 million.

10 So really I -- when -- when I look at it,
11 when you do the math, I mean, and I encourage the Board to
12 do so, you know, I believe that they are not
13 representative of a payday loan industry.

14 I mean outside of cheque cashing revenues,
15 Money Mart would have lost money offering payday loans at
16 its current rates, which are above twenty dollars (\$20)
17 per hundred dollars (\$100) advanced.

18 In Rentcash's opinion, setting out payday
19 loan rate maximums that reflect the single operator who is
20 able to highly exploit, or dominate, or have a dominant
21 position in cheque cashing with search required that
22 similar levels of cross-subsidization can be achieved by
23 all providers, otherwise they may be required to close
24 their business. Such an approach would, in Rentcash's
25 view, be inconsistent with the stated intent of the

1 maintaining -- of the competition in the marketplace.

2 Companies without Money Mart's level of
3 cheque cashing revenues may be forced out of the market.
4 Jobs may be lost and unintended results may be -- and --
5 and unintended results may give Money Mart the only firm
6 that has the access to the scale of cheque -- cheque
7 cashing cross-subsidization, a monopoly in the -- in the
8 payday loan business in Manitoba.

9 Rentcash's rate proposal, having said all
10 this, what does Rentcash propose that the Board does on a
11 question -- on the question of maximum rates?

12 Rentcash's initial proposal has been
13 provided to the Board and participants of the Hearing.
14 And broadly speaking we think that the Board should follow
15 Minister Selinger's publicly-stated guidance. It should
16 set a rate cap that eliminates extreme rates but allows
17 operators currently in the marketplace to compete for
18 market share.

19 The Board should be mindful that operators
20 compete on many factors other than price. Customers will
21 be best served by allowing the market to compete on all of
22 these factors.

23 The Board should recommend to the Minister
24 that the legislation be amended to eliminate rollovers.
25 Based on our experience they are a key indicator that

1 borrowers are in financial trouble.

2 For greater clarity, we define a rollover
3 as a series of transactions where a customer does not pay
4 down the principal of the loan and continues to renew or
5 extend the loan by paying a fee to do so on or after the
6 due date and depending on the customer's circumstances or
7 subsequent due dates.

8 The Board needs to deal with the outliers
9 as has been set out in detail by Dr. Clinton.
10 Specifically the Board should speak to compile and
11 accurate model of current pricing in the marketplace and
12 map the distribution and set the maximum rate so to lop
13 off the tail-end of the rate distribution. The tail would
14 -- would constitute extreme rates as art -- articulated by
15 Minister Selinger.

16 For purposes of regulatory clarity, the
17 Board must ensure that optional services such as card
18 fees, bank fees, insurance and any of the services
19 provided by third-party suppliers are not mixed with the
20 cost of credit for the payday loan.

21 The Board Order must ensure that regulation
22 balances benefits and costs. Regulator -- regulatory costs
23 will be inevitably passed on to our customers. Rate --
24 rate ceilings will have to take these costs into account.

25 Rentcash's specif -- specific proposal on

1 maximum rates, which are consistent with relevant
2 definitions in the Act are as follows: Fees of 37.5
3 percent of value received for up to sixty-two (62) days.

4 MR. ANTOINE HACAULT: Mr. Reykdal, I think
5 I have copies here of the actual proposal; might it be
6 useful to redistribute that so that you can refer to it
7 while you're --

8 MR. GORDON REYKDAL: Sure, that would be
9 great.

10 MR. ANTOINE HACAULT: -- completing your
11 presentation.

12 MR. GORDON REYKDAL: That would be great.

13

14 (BRIEF PAUSE)

15

16 MR. ANTOINE HACAULT: For the information
17 of all the participants this was what was distributed
18 about a week ago and we're just redistributing it just in
19 case it isn't at hand for all the participants in the
20 hearing.

21 MR. GORDON REYKDAL: So onto the rates,
22 so, yeah the fees of 37.5 percent of value received --

23 MR. ANTOINE HACAULT: Could we just
24 perhaps wait until everybody's --

25 MR. GORDON REYKDAL: Okay.

1 MR. ANTOINE HACAULT: -- had a copy.

2 MR. GORDON REYKDAL: No problem.

3

4 (BRIEF PAUSE)

5

6 MR. ANTOINE HACAULT: Mr. Chairman, as
7 noted in the proposal that had been distributed, in
8 advance of this testimony, and this is in the first
9 paragraph, so that it could be critically reviewed and
10 analyzed by all during the proceeding.

11 To date, we haven't received any comments
12 from other persons who have testified after receiving this
13 particular proposal, but Mr. Reykdal will go through it
14 and perhaps there might be some questions I assume of him
15 following the presentation.

16 So you had mentioned in the proposal of a
17 maximum cost of credit of 37.5 percent --

18 MR. GORDON REYKDAL: Correct.

19 MR. ANTOINE HACAULT: -- and that's on
20 page 2 of this proposal?

21 MR. GORDON REYKDAL: That's correct, yes.

22 MR. ANTOINE HACAULT: Okay. I'll -- could
23 you please continue?

24 MR. GORDON REYKDAL: Okay. At 25 percent
25 for a twelve (12) day loan per hundred and 29 percent for

1 a twenty-eight (28) day loan per hundred our current
2 standard rates for value-received are much lower than this
3 as pointed out in Table 1 which you've got a table
4 attached to the back of this presenta -- or proposal which
5 outlines in a little bit more detail what the -- the costs
6 are on a value-received basis also and as a percentage
7 also of APR.

8 MR. ANTOINE HACAULT: Could you actually
9 take us through that table so that we can understand it?
10 I mean, people who have prepared it will understand it --

11 MR. GORDON REYKDAL: Okay.

12 MR. ANTOINE HACAULT: -- but the people
13 who look at it for the first time might not know --

14 MR. GORDON REYKDAL: Okay.

15 MR. ANTOINE HACAULT: -- what the lines
16 are about and -- and --

17 MR. GORDON REYKDAL: Okay.

18 MR. ANTOINE HACAULT: -- what the columns
19 are about.

20 So firstly, at the very top of Table A
21 there are headings. And what are the headings --

22 MR. GORDON REYKDAL: Well --

23 MR. ANTOINE HACAULT: -- intended to
24 identify?

25 MR. GORDON REYKDAL: Okay. The customer's

1 desired borrowing of a hundred dollars (\$100), the
2 recommended borrowing, again of a hundred dollars (\$100).
3 If we're doing this on a -- on a cheque -- if customers
4 receive a cheque, if they were to receive a card on the
5 first time, it would identify what those cards are. As I
6 mentioned earlier there's the eight dollar (\$8) cost, the
7 initial cost, for the customer to obtain the car -- card
8 and then -- and any related fees.

9 MR. ANTOINE HACAULT: So let's go through
10 it --

11 MR. GORDON REYKDAL: Okay.

12 MR. ANTOINE HACAULT: -- a little bit
13 slower.

14 MR. GORDON REYKDAL: Okay.

15 MR. ANTOINE HACAULT: Under the heading "A
16 Hundred Dollar (\$100) Loan," --

17 MR. GORDON REYKDAL: Yeah.

18 MR. ANTOINE HACAULT: -- - "Twelve (12)
19 Days to Payday," this would represent if somebody wanted
20 to have a hundred dollars (\$100) in his pocket and there
21 would be twelve (12) days to payday? Is that -- my
22 understanding --

23 MR. GORDON REYKDAL: Correct.

24 MR. ANTOINE HACAULT: -- of this, right?

25 MR. GORDON REYKDAL: That's correct.

1 MR. ANTOINE HACAULT: Okay. And then
2 under that heading there are three (3) columns which
3 you've indicated. The first column is entitled, "Cheque."

4 MR. GORDON REYKDAL: Correct.

5 MR. ANTOINE HACAULT: Now, could you
6 repeat what scenario that would --

7 MR. GORDON REYKDAL: Okay.

8 MR. ANTOINE HACAULT: -- explain?

9 MR. GORDON REYKDAL: Okay. That would
10 explain if a customer requested a cheque from the lender
11 and the cheque would be sent from the lender directly to
12 the customer. And there's no additional cost associated
13 with that for the customer so they would receive their --
14 their cheque directly to them and no -- no cards.

15 MR. ANTOINE HACAULT: So you explained as
16 I understood your testimony when you started your business
17 that was the way you operated the business. People would
18 come in --

19 MR. GORDON REYKDAL: Yeah.

20 MR. ANTOINE HACAULT: -- and they would
21 pay by way of cheque, and there wouldn't be a charge to
22 that?

23 MR. GORDON REYKDAL: That's correct, yeah.
24 We did that for the first year of our operating, yes.
25 Yeah.

1 MR. ANTOINE HACAULT: Okay. So then as a
2 result of customer requests and demands, you implemented a
3 debit card system; is that correct?

4 MR. GORDON REYKDAL: That's correct, yes.

5 MR. ANTOINE HACAULT: And where in this
6 table do I find when a customer comes in for the first
7 time and wants a debit card option? Is that the next
8 line?

9 MR. GORDON REYKDAL: That's the next --
10 that's the next column -- Card First Time; that's correct.
11 And those are all the associated costs with respect to the
12 customer purchasing the card.

13 There -- the third party load fees, related
14 fees, and so all, those costs are identified there of what
15 the customer would actually pay as a first-time user and
16 then when they purchase the card for the first time, it
17 should go to the subsequent card -- subsequent -- there's
18 no additional charge because the card's reusable for the
19 customer basically indefinitely. There's no -- there's no
20 -- the card doesn't expire.

21 MR. ANTOINE HACAULT: Okay. Now, let's go
22 through that card first time number by number.

23 MR. GORDON REYKDAL: Okay.

24 MR. ANTOINE HACAULT: The first number is
25 a hundred dollars (\$100)?

1 MR. GORDON REYKDAL: Correct.

2 MR. ANTOINE HACAULT: And it's customer-
3 desired borrowing so the customer wants to have in his or
4 her pocket a hundred dollars (\$100).

5 MR. GORDON REYKDAL: Right.

6 MR. ANTOINE HACAULT: Is that -- am I
7 understanding that right?

8 MR. GORDON REYKDAL: Correct, yes. Yeah.

9 MR. ANTOINE HACAULT: Now, the next number
10 isn't a hundred dollars (\$100).

11 MR. GORDON REYKDAL: Correct.

12 MR. ANTOINE HACAULT: Why is that? Why do
13 we have an extra two-fifty (2.50) there?

14 MR. GORDON REYKDAL: There is a load fee
15 with respect to the card.

16 MR. ANTOINE HACAULT: And is that the load
17 fee that is charged by the Schedule 1 bank --

18 MR. GORDON REYKDAL: That's correct.

19 MR. ANTOINE HACAULT: -- Direct Cash?

20 MR. GORDON REYKDAL: That's correct.

21 MR. ANTOINE HACAULT: Okay. Then the
22 third item is an eight dollar (\$8) charge?

23 MR. GORDON REYKDAL: Correct.

24 MR. ANTOINE HACAULT: That's where you
25 say, so the customer has this card.

1 MR. GORDON REYKDAL: Correct.

2 MR. ANTOINE HACAULT: The charge is eight
3 dollars (\$8)?

4 MR. GORDON REYKDAL: Correct.

5 MR. ANTOINE HACAULT: Okay. The fourth
6 item is identified as third party in-store card load fees.

7 MR. GORDON REYKDAL: Correct.

8 MR. ANTOINE HACAULT: And there's an
9 amount there of four dollars and fifty cents (\$4.50)?

10 MR. GORDON REYKDAL: Right.

11 MR. ANTOINE HACAULT: What's that about
12 and who charges it?

13 MR. GORDON REYKDAL: Okay. That -- that
14 is again charged by the -- the -- depending on who the
15 operator is if they were taking or making a point of sale
16 purchase or a -- making the ATM withdrawal. These are all
17 charged by third party providers.

18 And what the customer does, I mean,
19 depending what the customer likes and as long as it meets
20 with their loan -- their loan -- would they qualify for
21 the loan, you know, they may say, Well, like -- I may want
22 to withdraw the card with one (1) swipe through a POS
23 terminal and it may cost me eighty (80) cents or I may
24 want to use it multiple times.

25 So they would -- they would add for that

1 and it would be based on the customer's discretion really
2 of what that number would be if they want it more or less,
3 depending on the customer. But this is an example.

4 MR. ANTOINE HACAULT: Okay. So between
5 the two dollar -- two dollar fifty (\$2.50) charge, that's
6 in number 2--

7 MR. GORDON REYKDAL: Yep.

8 MR. ANTOINE HACAULT: -- and this four
9 fifty (4.50) charge, it's hoped that the customer based on
10 his explanation.

11 MR. GORDON REYKDAL: It would be more
12 their desire. Like say -- if they -- if they're going to
13 a department store or wherever it may be or to make a
14 point of sale purchase, and they only anticipate to using
15 it once, well they wouldn't -- they wouldn't require that.

16 But if they wanted to use it multiple times
17 and they had plans for so, they would -- they could do
18 that. But they weren't required to by no means. So they
19 could -- they would use that money themselves afterwards
20 if they were to use less or more. It would be their -- be
21 their discretion.

22 MR. ANTOINE HACAULT: Okay. Now if we
23 continue down the line, we've got a heading for "Value
24 Received" and then the 6th line says "Broker Fee" and in
25 parentheses 20 percent or 23 percent of advance.

1 MR. GORDON REYKDAL: Correct.

2 MR. ANTOINE HACAULT: Do you see that?

3 MR. GORDON REYKDAL: Yes, yep.

4 MR. ANTOINE HACAULT: Now I know you
5 explained it in your testimony, but why is that charge
6 twenty-eight dollars and seventy-five cents (\$28.75) as
7 compared to the cheque option at twenty-five dollars
8 (\$25)?

9 MR. GORDON REYKDAL: Because the -- we
10 require the customer to pay their broker fee at the
11 conclusion of the transaction so which is paid for at the
12 store before they leave.

13 Because what -- what takes place, the
14 customer comes in, they engage us as a broker, we provide
15 our broker services, we are paid for our broker services
16 at that point.

17 So the customer in most cases borrow as the
18 broker fee and pays us at the conclusion of the
19 transaction. So that's why the -- the rate is not
20 reflected of what value-received as what's been advanced
21 to the customer because the customer actually borrows that
22 broker fee from the lender.

23 MR. ANTOINE HACAULT: Okay. And then so
24 we have a total advanced, so that would be the amount of
25 the loan?

1 MR. GORDON REYKDAL: That's correct.

2 MR. ANTOINE HACAULT: Okay.

3 MR. GORDON REYKDAL: And that's what the
4 promissory note is signed for to the lender and then the -
5 - the -- the amount -- the customer of the cheque that --
6 the customer leaves a cheque, leaves a cheque for the full
7 principal amount plus any applicable interest depending on
8 the duration of the loan that is signed back and left for
9 deposit at the store for the loan.

10 MR. ANTOINE HACAULT: And then you said
11 there's the interest charged so then there's a total of --
12 in the card - First Time column --

13 MR. GORDON REYKDAL: Yep.

14 MR. ANTOINE HACAULT: -- of a hundred and
15 forty-six dollars and fifty-four cents (\$146.54).

16 MR. GORDON REYKDAL: That's correct.

17 MR. ANTOINE HACAULT: So when you talked
18 about the customer leaving a cheque --

19 MR. GORDON REYKDAL: Mm-hm.

20 MR. ANTOINE HACAULT: -- what amount is
21 that cheque for? Is it that amount or a different amount?

22 MR. GORDON REYKDAL: The repeat amount
23 would be one forty -six, fifty-four (146.54). That's what
24 they would leave the cheque for to be repaid.

25 MR. ANTOINE HACAULT: So when they walk

1 out of the store, they know the transaction is that.

2 MR. GORDON REYKDAL: Yep.

3 MR. ANTOINE HACAULT: And if they go to
4 Money Mart and see that they can pay twenty dollars (\$20)
5 less, I don't know what the number is --

6 MR. GORDON REYKDAL: Yep.

7 MR. ANTOINE HACAULT: -- they can come and
8 cancel your loan --

9 MR. GORDON REYKDAL: Yep.

10 MR. ANTOINE HACAULT: -- walk across the
11 street just like we have here --

12 MR. GORDON REYKDAL: Right.

13 MR. ANTOINE HACAULT: -- and say I don't
14 want your loan anymore, I'm going to go with Money Mart.

15 MR. GORDON REYKDAL: Exactly, yes. Most
16 certainly, yeah. And they've got twenty-four (24) hours
17 to do that so.

18 MR. ANTOINE HACAULT: Now we haven't
19 discussed the third column in there; indirectly we have.
20 But under the heading "\$100 Loan 12 Days to Payday", there
21 are three (3) columns --

22 MR. GORDON REYKDAL: Correct.

23 MR. ANTOINE HACAULT: -- the last of which
24 is 'Card-Subsequent'.

25 MR. GORDON REYKDAL: Right.

1 MR. ANTOINE HACAULT: Am I right in
2 understanding that the change in that column is that now
3 the customer has that debit card.

4 MR. GORDON REYKDAL: Correct. That's
5 correct.

6 MR. ANTOINE HACAULT: And as a result of
7 that, that customer on the subsequent transaction does not
8 need to pay once again --

9 MR. GORDON REYKDAL: That -- that's
10 correct.

11 MR. ANTOINE HACAULT: -- for that product.

12 MR. GORDON REYKDAL: That is correct. And
13 those cards are good, basically, indefinitely so I mean
14 even if customers lose them, we replace them for free.

15 MR. ANTOINE HACAULT: Okay. Now if we
16 move on to the right there's another heading that says
17 "\$300 Loan - 12 Days to Payday".

18 MR. GORDON REYKDAL: Yes.

19 MR. ANTOINE HACAULT: And that's the
20 standard that you're going to have to comply with in the
21 regulation posters that are going to have to be put in
22 your store.

23 MR. GORDON REYKDAL: Yes.

24 MR. ANTOINE HACAULT: Correct?

25 MR. GORDON REYKDAL: Yep.

1 MR. ANTOINE HACAULT: Okay. So do I take
2 it that the same explanations that you've just provided
3 are applicable, except now we're showing a three hundred
4 dollar (\$300) loan, and how it applies to that loan?

5 MR. GORDON REYKDAL: That's correct, yes.

6 MR. ANTOINE HACAULT: Okay. Now, when we
7 go to the bottom of each of those, there's additional
8 lines.

9 Line 11 indicates Fee Component, and in
10 parentheses, (Percentage of Value Received), closed
11 parentheses.

12 And we see that the fee percentage is
13 consistent throughout the example, whether it's a cheque,
14 card first time, or card subsequent.

15 MR. GORDON REYKDAL: Mm-hm.

16 MR. ANTOINE HACAULT: Is that right?

17 MR. GORDON REYKDAL: That's correct, yes.

18 MR. ANTOINE HACAULT: Okay. And again,
19 if you were going to show an APR on this poster, there's
20 a line 13 that shows what the APR would be with respect
21 to each different scenario?

22 MR. GORDON REYKDAL: That's correct.

23 MR. ANTOINE HACAULT: Okay. Now, what's
24 the last column about? That's a three hundred dollar
25 (\$300) loan, twenty-eight (28) days.

1 MR. GORDON REYKDAL: Okay. Those are the
2 longer term loans that are provided.

3 We're using a twenty-eight (28) day
4 example there, but those loans are provided up to thirty-
5 one (31) days for consumers who are on fixed income
6 monthly pay.

7 And so those loans are -- quite frankly,
8 when you look at the -- from an APR calculation, longer
9 term -- they're longer term loans at a lower APR.

10 MR. ANTOINE HACAULT: And we've heard a
11 lot about that, and the significance, and at least Dr.
12 Gould, I think, talked about it and his views on it, and
13 Dr. Clinton had some comments on -- at least, from his
14 perspective it being worthwhile to tell a customer that
15 it's a high cost loan.

16 Now, why have -- could you repeat again
17 why there's a different rate for these longer term loans,
18 and why we're showing it separately as a different
19 product?

20 MR. GORDON REYKDAL: Well, it -- it is a
21 different product.

22 I mean, there also is different risk
23 attached -- attached to these loans. I mean, they are
24 longer term which are more riskier loans.

25 I mean, they -- you know, bottom line,

1 it's just -- there's more risk attached to those loans.

2 Longer -- longer term loans are more
3 riskier, and that's been something that we've -- has been
4 proved out through our lenders over time, that they do --
5 they do indeed detach -- attach a higher risk level to
6 them, and so there's a bit of a longer term.

7 And also one (1) thing that's important to
8 note, that it also meets with customer's needs, because
9 there's customers that only get paid once a month also
10 too. I mean, you can't expect them to be into a payday
11 loan.

12 So I mean, to try to work a customer that
13 gets paid once a month into a payday loan is not
14 practical. I mean, and you know, just doesn't meet with
15 their needs.

16 So this is -- there is definitely demand
17 and need for this product, and this is the way it's
18 broken up this way, for illustration purposes.

19 But this is part of the services that we
20 do provide for our customers.

21 MR. ANTOINE HACAULT: So when I hear some
22 school teachers complaining that they got a big cheque, I
23 think at the end of June, and then their next payday is
24 some time in September and they went on a vacation and
25 they don't have enough money until they get that first

1 paycheque --

2 MR. GORDON REYKDAL: Right.

3 MR. ANTOINE HACAULT: -- those people
4 could be a sector of the people who --

5 MR. GORDON REYKDAL: That's correct.

6 MR. ANTOINE HACAULT: -- might want to
7 use this product?

8 MR. GORDON REYKDAL: That is very
9 correct, yes.

10 MR. ANTOINE HACAULT: Now, under this
11 particular table, there is another table that's headed
12 Payday Loan - Cheque Cash, or slash Default Model, in
13 parentheses, (Money Mart per PUB/CPLA-2-2f).

14 MR. GORDON REYKDAL: Yep.

15 MR. ANTOINE HACAULT: What was Rentcash
16 attempting to describe by these tables?

17 MR. GORDON REYKDAL: Well, I mean, to the
18 best of our ability again, it's -- it's -- I want to
19 maybe reiterate the po -- a point I made earlier.

20 I mean, we view Money Mart as a good
21 competitor in the marketplace, and we're not trying to do
22 anything to shed negative light on them here, by no
23 means. It's more just pointing out our understanding,
24 and the facts of how their transaction takes place, and
25 what we also hear from our customers as far as, you know,

1 what we've identified as a -- a -- I'll quite frankly
2 call it -- as an opportunity for our -- our company.

3 And so where -- what we've done here is
4 we've taken the same loan and tried to break it down
5 accordingly, breaking out the same costs with the
6 addition of one (1) -- one (1) -- one (1) item of really
7 -- that we've really noted. It was more of the
8 dishonoured cheque service fee; that may or may not occur
9 to their customers. We've included that in the table.

10 Other than that, most of the -- the costs
11 would be fairly similar and -- and Money Mart does -- I'm
12 not absolutely certain whether they do or do not in the
13 province of Manitoba, but I know -- it's based, at least,
14 on their website -- that they do offer debit cards and
15 credit cards. We've tried to attach those related costs
16 under this particular illustration to provide similar or
17 like information.

18 MR. ANTOINE HACAULT: Now, unfortunately,
19 there were a lot of questions asked several days ago and
20 we haven't had responses or detailed responses in our
21 documents, so, it has to be necessarily based on a
22 practical experience --

23 MR. GORDON REYKDAL: Yeah.

24 MR. ANTOINE HACAULT: -- that you've
25 had --

1 MR. GORDON REYKDAL: Yeah.

2 MR. ANTOINE HACAULT: -- somebody go
3 through to try and get this information; is that correct?

4 MR. GORDON REYKDAL: That's correct, yes.
5 Yeah.

6

7 (BRIEF PAUSE)

8

9 MR. ANTOINE HACAULT: Now, at line 22,
10 there's a line that's under the Money Mart example.
11 There's a line that says, "Cheque Cashing Fee."

12 MR. GORDON REYKDAL: Mm-hm.

13 MR. ANTOINE HACAULT: Now, we've seen
14 some documents that say the cheque cashing fee is
15 thirteen ninety-nine (13.99).

16 Have you had the opportunity of using a
17 calculator on the internet for Money Mart and how does
18 that compare to the --

19 MR. GORDON REYKDAL: Well --

20 MR. ANTOINE HACAULT: -- thirteen ninety-
21 nine (13.99) that they say they charge?

22 MR. GORDON REYKDAL: Well, I've -- I
23 guess, I mean, myself I have done that. I mean, I -- for
24 the rate -- or most recently anyway that were available -
25 - this should be all-in including interest, including

1 cheque cashing fees were twenty dollars and forty-five
2 cents (\$20.45) or twenty forty-six (20.46) -- in that --
3 in that range anyways -- so all-in which includes cheque
4 cashing interests and all applicable fees. So that would
5 be for, yeah, the same -- same type of loans so...

6 MR. ANTOINE HACAULT: Thank you.

7 MR. GORDON REYKDAL: Yeah.

8 MR. ANTOINE HACAULT: Then lastly,
9 there's an example that says, "Payday Loan -
10 Administrative Fee Model - Into Cash."

11 What's that example about?

12 MR. GORDON REYKDAL: Basically a typical
13 -- typical lender advancing their own cash under a
14 different business model and that's just describing what
15 their cost is. I mean they just -- they advance their
16 own capital. There's no cheque cashing or broker model.
17 It's just demonstrating the third model that's being used
18 in the industry, and what those costs are.

19 And, you know, again it doesn't -- it
20 doesn't demonstrate or illustrate any additional NSF fees
21 or anything else. I'm not certain on whether they're --
22 the company -- what their practices are with respect to
23 that but it's just a very straightforward illustration of
24 -- of the -- of the costs.

25

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: Now, I'm not too
4 sure. Had you got any information about -- from Mr.
5 Hansford as to whether or not -- or from the Consumers
6 Bureau -- as to whether or not they thought they were
7 going to get investigators hired to monitor the industry?

8 MR. GORDON REYKDAL: Yes, he told me that
9 his -- his understanding is that they would have two (2)
10 -- at least two (2) senior people that would be hired
11 that would be investigators that would oversee the
12 industry.

13 MR. ANTOINE HACAULT: So it might be a
14 solution -- I don't -- I don't see a rel -- Robert
15 (phonetic) here as it's been sitting for quite a bit on
16 behalf of the Consumers Bureau, but, it might be an
17 option for that bureau to actually be the one who goes
18 around and monitors what the charges are by the various
19 members of the industry so that we can get better
20 information for the Public Utilities Board in three (3)
21 years from now.

22 MR. GORDON REYKDAL: Right. Yes, I think
23 that would be good, yeah.

24 MR. ANTOINE HACAULT: Now, in the -- I'll
25 let you get back to your presentation but then I'd like

1 to take you through a couple of the examples and why we
2 put --

3 MR. GORDON REYKDAL: Okay.

4 MR. ANTOINE HACAULT: -- why they were
5 put into the proposal.

6 MR. GORDON REYKDAL: Okay. Okay. So as
7 I mentioned at our rates of the value received I mean 25
8 percent for the twelve (12) day loan and twenty-nine
9 point nine (29.9) for the twenty-eight (28) day loan.
10 Our current standard rates are much lower than that
11 pointed out on the table.

12 In our company we certainly have no plans
13 to increase our rates because we don't believe the market
14 would allow it. And then going on to the interest
15 proposal being at 59 percent per annum compounded
16 annually before and after default of the total amount
17 advanced again which works out to a calculation of
18 sixteen (16) cents per day.

19 The extension or -- or renewals, solely
20 the 59 percent with no other rollover fees. And
21 replacement loans -- as noted in -- noted in our original
22 proposal, some clarity around the definition of
23 'replacement loan' is required.

24 With respect to -- in respect of new loans
25 that may be captured under this definition. Fees,

1 interest and default charges should be the same for a new
2 loan.

3 And default fees for the first ninety (90)
4 days, the maximum should be forty dollars (\$40) plus any
5 applicable interest.

6 Following ninety (90) days recovery, the
7 actual cost and disbursements shall be permitted as
8 awarded by the courts in accordance to the terms of the
9 conditions of the agreement or in accordance to the
10 applicable law or both.

11 What we see as a benefit to the Rentcash
12 proposal is that Rentcash's proposal has been developed
13 to achieve a number of objectives. It is clear and
14 understandable. It allows for the definition of the Act
15 and the Regulations in a manner that can be consistently
16 applied to all of the service providers.

17 It eliminates the ability for any lender
18 to charge hidden fees such as default fees from cheques
19 dated before customer's payday. It provides clarity to
20 the industry and how to apply the Board's deriv --
21 directives, how to make posters or other industry con --
22 industry consisting consumer information packages and how
23 to report rates in preparation for the next PUB hearing.

24 It eliminates the outliers. It still
25 allows for a competitive market in which providers can

1 distinguish themselves from one another on a basis of
2 factor more than price.

3 At this time, I'd like to thank the Board
4 for the opportunity to make these remarks and certainly
5 now I'd like to take any questions, I guess, that you may
6 have.

7 MR. ANTOINE HACAULT: With respect to the
8 proposal I'd like you to perhaps turn to page 3.

9 MS. ANITA SOUTHALL: Mr. Hacault, do you
10 have a sense of how long this may take? I'm just
11 watching the clock in terms of break time, that's all.

12 MR. ANTOINE HACAULT: I think in about
13 five (5) minutes we're finished. It's just to highlight
14 some of this because I expect there probably are
15 questions about the proposals.

16 So I thought it might be useful to have
17 him go through some parts of it to explain it because
18 otherwise we're going to go through it in cross-
19 examination in any event.

20

21 CONTINUED BY MR. ANTOINE HACAULT:

22 MR. ANTOINE HACAULT: And perhaps before
23 we actually do that, Ms. Bland, I had introduced you as
24 the Chief Financial Officer but could you explain a
25 little bit of your career background and what brought you

1 to work for Rentcash?

2 MS. NANCY BLAND: Sure. I am a graduate
3 of the University of Alberta with a Bachelor of Commerce
4 degree. I have my Chartered Accountant's designation and
5 a Certified Internal Auditors designation.

6 For the last fifteen (15) years I've been
7 in progressively senior positions in the industries of
8 the coal mining industry, the electrical utility industry
9 and most recently the healthcare industry.

10 I wanted to get back into financial
11 reporting out of healthcare and came to Rentcash about --
12 just over a year and a half ago where I was the Vice-
13 President of Finance for a year and a half and then most
14 recently I was appointed the Chief Financial Officer and
15 it's been a busy forty (40) days as that so -- that is my
16 background.

17 MR. ANTOINE HACAULT: Thank you. Could
18 we turn to page 3 of the proposal? This is the Board and
19 this is my -- my part here as a lawyer.

20 As we understand it is going to have to
21 deal with three (3) different sectors of rates in this
22 industry and what the proposal attempts to segregate is
23 those three (3) separate categories.

24 So the first category is with respect to,
25 I'm going to say the initial loan. And -- and we sought

1 some information from Rentcash as to perhaps having some
2 illustrations as to what type of situations might fall
3 into that.

4 And could you just go through the three
5 (3) examples. It could be either Mr. Reykdal or Nancy.

6 MR. GORDON REYKDAL: Okay so like in
7 example A, the borrower qualifies for six hundred and
8 twenty-five dollars (\$625). Pay -- the borrower pays the
9 back loan in full. It's -- that's on example 'A'.

10 Because I guess with respect to -- shall
11 we walk through each example Antoine, okay? Okay, the
12 borrower qualified for six hundred and twenty-five
13 dollars (\$625). He borrows three twenty-five (325)
14 twelve (12) days before payday.

15 He pays the fee for the loan on his -- on
16 the three twenty-five (325), but he still qualifies and
17 his equity for the remaining three hundred dollars
18 (\$300).

19 He borrows three hundred dollars (\$300)
20 seven (7) days before payday, he pays the fee on the
21 second loan of three hundred dollars (\$300), and has now
22 borrowed the total amount of what he's been qualified
23 for, and then on the payday he pays back his six twenty-
24 five (625) in full.

25 The third example is if a borrower is

1 qualified and originally is qua -- is qualified and
2 originally borrows a six twenty-five (625), he returns on
3 his payday and repays three twenty-five (325) of that and
4 he's left a balance owing of three hundred dollars
5 (\$300).

6 His most recent pay stub shows that he
7 still qualifies for six twenty-five (625). So, the
8 customer, with three hundred dollars (\$300) still
9 outstanding on his -- his outstanding, a new loan can be
10 made for up to three hundred and twenty-five dollars
11 (\$325) and he is charged a fee on the three twenty-five
12 (325).

13 The borrower has a three hundred dollar
14 (\$300) loan still due, which will go under default the
15 day after payday and the second loan in the amount of
16 (325) is due on his next payday.

17 MS. NANCY BLAND: And if I would just add
18 to that on that example C, the -- it doesn't mean that
19 the customer won't come in and pay that first part of the
20 three hundred dollars (\$300), he mail -- may still come
21 in later and pay it on his due date.

22 MR. GORDON REYKDAL: Mm-hm.

23 MR. ANTOINE HACAULT: So, are these
24 scenarios which could be encountered or are encountered
25 in your store experience?

1 MR. GORDON REYKDAL: Yeah, no, tho --
2 those things do happen where a customer, you know, is
3 trying to -- to illustrate what does take place and these
4 things do take place in the business where customers do
5 get qualified -- or do qualify for a higher limit than
6 actually they -- they take out because they may not need
7 the full amount, but then maybe later on they do come in
8 and -- and do get an additional amount because they
9 certainly qualify for it.

10 So as long as it meets within the lender's
11 criteria and what they qualified for, they've got that
12 equity value there at the store that they can draw upon
13 basically at any time.

14 MR. ANTOINE HACAULT: Now could we flip
15 to page 5? There is an example D.

16 MR. GORDON REYKDAL: Okay.

17 MR. ANTOINE HACAULT: Could you go
18 through that and explain why you, in your experience,
19 you've set that separately?

20 MR. GORDON REYKDAL: Okay, maybe I'll
21 just go through it and I'll -- so -- so everybody -- the
22 borrower again is to -- qualified and originally borrows
23 a six twenty-five (625) and returns on his payday to pay
24 three twenty-five (325) and left with a balance of three
25 hundred (300), and again he qualifies -- his most recent

1 pay stub has been validated again and that he's still
2 qualified to borrow up to six twenty-five (625).

3 Three hundred dollars (\$300) is still
4 outstanding. A new loan is made up to three hundred and
5 twenty-five dollars (\$325) and the fee is charged on the
6 three twenty-five (325), so the customer has two (2)
7 outstanding loans.

8 The borrower, as an option, can use the
9 three hundred dollars (\$300) of the new loan proceeds of
10 the three twenty-five (325) to fully pay out the first
11 loan; the second loan is -- in -- in the amount of three
12 twenty-five (325) is still due on his next payday.

13 The customer is not obligated to do that.
14 Like the customer can come in up until their payday, as
15 long as they're not in default, and borrow up to that
16 amount. If the customer so decides to pay -- use the
17 proceeds of any new funds they have received to apply
18 that against another loan, they can so do so, but if they
19 -- and -- you know, and if don't, they're certainly aware
20 that the original loan will still be outstanding and fall
21 due on its original due date, so it could go into default
22 if they don't pay it out, so -- but that's at their
23 discretion, though, so...

24 MR. ANTOINE HACAULT: And in your
25 experience that type of a customer is different than the

1 customer that you've explained doesn't --

2 MR. GORDON REYKDAL: Yeah.

3 MR. ANTOINE HACAULT: -- make any payment
4 towards any principal amount?

5 MR. GORDON REYKDAL: That's -- that's
6 correct, yes, yeah.

7 MR. ANTOINE HACAULT: Thank you very
8 much.

9 MR. GORDON REYKDAL: Okay.

10 MR. ANTOINE HACAULT: Those are -- that's
11 the end of the presentation and we can take a break now,
12 if that's appropriate.

13 THE CHAIRPERSON: Thank you, Mr. Hacaault.
14 It's probably a good idea. So we'll come back in fifteen
15 (15) minutes. Thank you.

16

17 --- Upon recessing at 10:11 a.m.

18 --- Upon resuming at 10:32 a.m.

19

20 THE CHAIRPERSON: Okay. Welcome back
21 everyone. Ms. Southall...?

22

23 CROSS-EXAMINATION BY MS. ANITA SOUTHALL:

24 MS. ANITA SOUTHALL: Thank you, Mr.
25 Chairman.

1 I do have quite a number of questions for
2 this panel. You've provided us with a significant amount
3 of information, so with the assistance of Mr. Cathcart,
4 the Board's Accounting Advisor, we've attempted to digest
5 it.

6 And -- but first I -- before going into
7 the materials that you've shared with us today, and --
8 and in particular several days ago, the Rentcash
9 proposal, I do have a series of questions on the other
10 materials that you filed.

11 So, and the other preliminary comment I'll
12 make is that I will pose the question to essentially the
13 two (2) of you as the witness panel for Rentcash, and I
14 will leave it to you to decide who should answer the
15 question.

16 Is that satisfactory?

17 MR. GORDON REYKDAL: That's great, yes.

18 MS. ANITA SOUTHALL: Thank you.

19 So first, could I ask you to turn to Tab
20 24 in the materials that we've supplied.

21 This is a -- as I understand it, a
22 presentation that was done for an entity called Roth
23 Capital Partners in 2007. Is that correct?

24 MS. NANCY BLAND: I think we have the
25 wrong tab. Ours is on a Pollara report. Tab 24?

1 MS. ANITA SOUTHALL: No, I'm sorry. Tab
2 54.

3 MR. GORDON REYKDAL: Yes, I have that.
4 Yes.

5 MS. ANITA SOUTHALL: That was probably my
6 one and only trick question.

7

8 (BRIEF PAUSE)

9

10 MS. ANITA SOUTHALL: Thank you very much.

11 So, I -- I was indicating that this is a
12 report done in 2007 related to Roth Capital Partners. I
13 -- I take that actually from the face page of the
14 document.

15 Could you tell us the purpose of the
16 presentation, please?

17 MR. GORDON REYKDAL: We were asked to
18 present at a conference at Roth capital partners. It was
19 an annual conference where they have small cap --
20 companies presenting, and they follow the financial
21 services sector of which we fall into, and they provide
22 coverage on -- financial coverage on the company, and, so
23 we were asked to present to their customers, and
24 potential.

25 MS. ANITA SOUTHALL: And -- and who would

1 Roth Capital Partners be?

2 Could you just explain --

3 MR. GORDON REYKDAL: They're a --

4 MS. ANITA SOUTHALL: -- when you talk
5 about their customers?

6 MR. GORDON REYKDAL: -- they're a small
7 investment banking firm. They are located in Orange
8 County, California, and they have a brokerage and
9 investment banking service network.

10 MS. ANITA SOUTHALL: And what would the -
11 - be the benefit to Rentcash of participating in this?

12 It's obviously a fairly elaborate
13 presentation, so what would be the purpose of spending
14 the time and doing it?

15 MR. GORDON REYKDAL: We are the only --
16 we are the only payday advance co -- company covered by a
17 U.S. firm and it was to create more exposure for our
18 company and introduce our company to new potential
19 shareholders.

20 MS. ANITA SOUTHALL: Thank you. If you
21 could turn to page 4 and I think it goes over onto page 5
22 of the presentation, please. You show us, and as you've
23 indicated this morning in the -- in the oral
24 presentation, that you have a brokerage division and a
25 rental division in the Rentcash Inc. corporate entity.

1 That may have just recently changed in terms of the
2 rental division, I'm not sure.

3 MR. GORDON REYKDAL: No, we -- as of
4 yesterday we just had our annual general meeting where we
5 had shareholders approve the spinning off of the business
6 and that will occur. We're waiting a -- a CRA ruling
7 before that actually takes place but that is contemplated
8 to take place at the beginning of the calendar year
9 sometime.

10 MS. ANITA SOUTHALL: And will that leave
11 then just essentially brokerage?

12 MR. GORDON REYKDAL: That's correct.

13 MS. ANITA SOUTHALL: In the brokerage
14 division, what percentage of revenues is derived from
15 payday loan products?

16 MR. GORDON REYKDAL: A significant
17 portion. I can get...

18 MS. NANCY BLAND: It's 80 percent when
19 you're looking at just brokerage revenue.

20 MS. ANITA SOUTHALL: And could you just -
21 - just at a high level, I'm just trying to understand
22 what would comprise the remaining 20 percent in terms of
23 the nature of services?

24 MS. NANCY BLAND: The nature of those
25 services are: We have a cheque cashing product; we have

1 our insurance product; we have a telephone reconnect
2 product; we have, oh yeah, Tembo (phonetic), they're
3 telephone reconnect though; oh, and then our private
4 label debit and credit cards are also in that 20 percent.
5 Western Union as well.

6 There's a -- we have a lot of different
7 smaller portions so they're all, of that 20 percent
8 there's probably about seven (7) or eight (8) different
9 products, what -- most of which I just named.

10 MS. ANITA SOUTHALL: When you say private
11 labelled debit and credit cards, do you mean that the
12 revenue that derives from offering whatever the cost of
13 those products are offered to borrowers is actually
14 tracked under that revenue stream?

15 MR. GORDON REYKDAL: Yeah, we -- we do
16 track all the revenue separately by each category which
17 would include that, yes, for, yeah.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: So, if I could ask
22 you to look at page 5 now of the Roth presentation, the
23 graphic display indicates that as I think, Mr. Reykdal,
24 you indicated in 2001 you be -- began operations,
25 correct?

1 MR. GORDON REYKDAL: That's correct.

2 MS. ANITA SOUTHALL: And in 2002 you show
3 nineteen (19) brokerage outlets, is -- is that a fair
4 statement?

5 MR. GORDON REYKDAL: That's correct.

6 MS. ANITA SOUTHALL: And when did you
7 open your first outlet in Manitoba?

8 MR. GORDON REYKDAL: I would have to
9 confirm the dates, but it would have been between the
10 periods of 2002 and 2003.

11 MS. ANITA SOUTHALL: What was the first
12 operation opened in Manitoba? Was it Rentcash, like,
13 under that banner?

14 MR. GORDON REYKDAL: It was actually --
15 it was a combination location, it was a rental location
16 and a cash store, so it was the Insta-rent location and
17 cash store, under the Rentcash -- it was Rentcash but the
18 -- the trade names, I guess, for the -- the size were the
19 cash store and Insta-rent, two (2) stand alone.

20 MS. ANITA SOUTHALL: And in 2003 you were
21 showing fifty-seven (57) outlets, brokerage outlets in
22 Canada, is that fair?

23 MR. GORDON REYKDAL: That's correct.

24 MS. ANITA SOUTHALL: In 2004 just a
25 little under double that in terms of the number of

1 outlets at a hundred and eight (108), correct?

2 MR. GORDON REYKDAL: Correct.

3 MS. ANITA SOUTHALL: And in 2005, I
4 believe, was the acquisition of the InstaLoan stores, is
5 that right?

6 MR. GORDON REYKDAL: That is correct.

7 MS. ANITA SOUTHALL: And then in just
8 reviewing this chart for the record, in 2006 you had
9 three hundred and thirty eight (338) outlets, that would
10 be a combination of under banners Rentcash, and
11 InstaLoans by that time?

12 MR. GORDON REYKDAL: The operating
13 banners are under the cash door in InstaLoans. And the
14 parent company has no storefronts.

15 MS. ANITA SOUTHALL: I'm sorry, I --
16 thank you for that correction.

17

18 (BRIEF PAUSE)

19

20 MS. ANITA SOUTHALL: Just -- just
21 stepping back for a moment to 2005, and the acquisition
22 of the Instaloan stores. Do you know how many of those
23 were operating in Manitoba? How many of those outlets at
24 that time?

25 MR. GORDON REYKDAL: I don't have the

1 exact number, but I can certainly get that for you.

2 MS. ANITA SOUTHALL: Sure, that's fine,
3 if you could just let us know, thank you.

4

5 --- UNDERTAKING NO. 57: Mr. Gordon Reykdal to provide
6 the number of InstaLoan store
7 outlets that were in
8 operation in Manitoba in
9 2005.

10

11 MR. ANTOINE HACAULT: Subject to check,
12 our information is eight (8).

13

14 (BRIEF PAUSE)

15

16 CONTINUED BY MS. ANITA SOUTHALL:

17 MS. ANITA SOUTHALL: And then to finish
18 off, sir, and I know you covered this and I -- and I
19 think so it's confirmed in your oral evidence today, that
20 in -- that in 2007 you have three hundred and fifty-eight
21 (358) outlets across Canada, correct?

22 MR. GORDON REYKDAL: That's correct.

23 MS. ANITA SOUTHALL: And these continue
24 under the banners, the Cash Store and InstaLoans?

25 MR. GORDON REYKDAL: That's correct.

1 Yeah, that was at the date of the presentation, yes.

2 MS. NANCY BLAND: We currently have three
3 hundred and sixty-one (361) across Canada, this is as of
4 the date of the presentation.

5

6 (BRIEF PAUSE)

7

8 CONTINUED BY MS. ANITA SOUTHALL:

9 MS. ANITA SOUTHALL: And in your direct
10 evidence, I believe you indicated there were twenty-six
11 (26) outlets in Manitoba?

12 MR. GORDON REYKDAL: That's correct.

13 MS. ANITA SOUTHALL: If that changes
14 before the end of my cross-examination, you'll let me
15 know?

16 MR. GORDON REYKDAL: We'll let you know
17 for sure.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: Either one (1) of
22 you please, could you identify if there are any
23 differences between the Cash Store and InstaLoan
24 operations?

25 Are there differences in a level of

1 service, level of risk entertained, product lines, that
2 kind of thing?

3 MR. GORDON REYKDAL: There are no
4 significant differences between the two (2) operating
5 entities.

6 MS. ANITA SOUTHALL: And is there a
7 reason why you continue to operate under those two (2)
8 banners? Do they compete with each other? Are they any
9 -- at any location located near each other?

10 MR. GORDON REYKDAL: What our corporate
11 strategy is with respect to the banners, is that we've
12 had leases -- when we acquired InstaLoans, there was long
13 term leases that were established. And as leases come up
14 for renewal, we look to relocate the premises in
15 different locations and re-brand them under the Cash
16 Store, and we've undergone that in other provinces to
17 date.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: If I could ask you
22 to turn to page 7 of the presentation, please? There is
23 a reference to debit cards, the second bullet down in the
24 brokerage division.

25 And you identify the Cash Store cash card,

1 and Insta Worlds debit card, do you see that reference?

2 MR. GORDON REYKDAL: Yes, I do.

3 MS. ANITA SOUTHALL: I take it the Cash
4 Store cash card is offered in the Cash Store?

5 MR. GORDON REYKDAL: That's correct.

6 MS. ANITA SOUTHALL: That may be overly
7 simplistic, but nevertheless. And the Insta World debit
8 card is the debit card product offered in the InstaLoan
9 locations?

10 MR. GORDON REYKDAL: That's correct.

11 MS. ANITA SOUTHALL: Who supplies the
12 debit card product to Rentcash?

13 MR. GORDON REYKDAL: Cas -- Direct Cash.
14 Card Capital actually is the subsidiary of Direct Cash.
15 Direct Case Income Fund is a public created company in
16 the Toronto stock exchange. They own Direct Cash.

17 MS. ANITA SOUTHALL: Could you just
18 repeat the corporate name again of the --

19 MR. GORDON REYKDAL: It's Direct --

20 MS. ANITA SOUTHALL: -- of the main
21 company?

22 MR. GORDON REYKDAL: -- Direct Cash
23 Income Fund, which owns Card Capital, subsidiary.

24 MS. ANITA SOUTHALL: And is Card -- Card
25 Capital -- do you know the full corporate name of that

1 entity by any chance?

2 MR. GORDON REYKDAL: It is in the
3 documentation the customers sign. I don't -- I can get
4 that. But it is --

5 MS. ANITA SOUTHALL: That's fine. If
6 it's in there somewhere we can locate it.

7 MR. GORDON REYKDAL: It -- it's in the
8 documentation, yes. Yes.

9 MS. ANITA SOUTHALL: Thank you.

10 We'll just flip if we could briefly to
11 page 10 of the presentation. I believe that the -- the
12 Cash Store cash card in the InstaWorld, pardon me, debit
13 card are depicted on that page, is that correct?

14 MR. GORDON REYKDAL: That's correct.

15 MS. ANITA SOUTHALL: Just -- the
16 InstaWorld debit card is called "InstaWorld Gold". Is
17 there a specific reason it's called that? Does it offer
18 additional services?

19 MR. GORDON REYKDAL: No. Just from a
20 distinction between the two (2) entities. It's just
21 referred to a gold card because of its colour.

22 MS. ANITA SOUTHALL: I take it there must
23 be marketing studies or something that -- that indicates
24 that presentation makes a difference in terms of the
25 uptake of these kinds of cards?

1 They -- they look -- I don't know the word
2 I'm searching for, prestigious, fancy.

3 MR. GORDON REYKDAL: I mean, we try to
4 meet with what our customers want and they -- I mean, we
5 certainly do our work and our research behind that and
6 that's correct, yes. Yeah.

7 MS. ANITA SOUTHALL: Could you just give
8 us some idea of the agreement arrangement with the
9 subsidiary of Direct Cash who provides the debit card
10 product?

11 Do you have an agreement with that
12 subsidiary for the supply of the debit card product?

13 MR. GORDON REYKDAL: We do. Yes, we do.

14 MS. ANITA SOUTHALL: And does that
15 agreement set out the arrangements by which -- I guess --
16 I'm trying to gain an understanding of what that
17 agreement provides in terms of who is the actual owner of
18 the debit card.

19 I'll stick with the debit card for a
20 minute and we'll talk about the credit card in a moment.
21 But first of all, if you could answer that.

22 Does that agreement provide who would
23 actually be the owner of the debit card?

24 MR. GORDON REYKDAL: That's correct, it
25 does, yes.

1 MS. ANITA SOUTHALL: Could you tell me
2 what --

3 MR. GORDON REYKDAL: Oh, I'm sorry.

4 MS. ANITA SOUTHALL: -- that is?

5 MR. GORDON REYKDAL: Okay. It's Trans --
6 Trans -- it's -- it's a credit union in Ontario that is
7 presently the provider or the owner of the card and which
8 is described on the card.

9 I -- I can get the exact name. Just --
10 Trans Global Credit Union, which is specified in the
11 agreement.

12 MS. ANITA SOUTHALL: And does Rentcash
13 have an agreement with that credit union --

14 MR. GORDON REYKDAL: No, we --

15 MS. ANITA SOUTHALL: -- in terms of
16 making credit available to -- or the debit card available
17 to its customers?

18 MR. GORDON REYKDAL: No, we do not have
19 an agreement with Trans Global, no. It's -- the
20 agreement is between Direct Cash and the credit union.

21 MS. ANITA SOUTHALL: So that's for the
22 actual funds advances to be cleared through that credit
23 union for the borrower?

24 MR. GORDON REYKDAL: Well act -- what --
25 what takes place is that an advance limit is set by --

1 first of all by the lender and that advance limit is
2 communicated through -- through to Card Capital and then
3 once upon -- once the funds are drawn down against that
4 advance limit, then the actual loan is provided for at
5 that point.

6 So there's no loading on the card of any
7 funds, it's an advance and then drawn down accordingly.
8 And then a loan takes place subsequent to that.

9 And Direct Cash is the one that does all
10 of the -- the switching and the controlling of that
11 through their processing system.

12 MR. ANTOINE HACAULT: Just to respond to
13 the name. It's actually found on the card that's shown
14 in the picture. It shows "All Trans --"

15 MR. GORDON REYKDAL: All Trans, pardon
16 me, sorry. Yeah, All Trans --

17 MR. ANTOINE HACAULT: "-- Financial
18 Services Credit --"

19 MR. GORDON REYKDAL: -- Financial
20 Services, yeah.

21 MR. ANTOINE HACAULT: "-- Union Ltd."

22 So it's actually right on the green card
23 that's photocopied that you -- you've referred to. It's
24 in smaller print.

25 MR. GORDON REYKDAL: Yeah, it is.

1 (BRIEF PAUSE)

2

3 CONTINUED BY MS. ANITA SOUTHALL:

4 MS. ANITA SOUTHALL: Mr. Reykdal, I think
5 you indicated earlier today that once a borrower acquires
6 a debit card they can use it essentially indefinitely as
7 -- I suppose as long as they keep dealing with a Rentcash
8 outlet --

9 MR. GORDON REYKDAL: That's --

10 MS. ANITA SOUTHALL: -- is that fair?

11 MR. GORDON REYKDAL: That's correct, yes.

12 MS. ANITA SOUTHALL: And there is an
13 eight dollar (\$8) charge to acquire the debit card
14 originally, is that correct?

15 MR. GORDON REYKDAL: That's correct.

16 MS. ANITA SOUTHALL: And of the eight
17 dollars (\$8) that is charged to the customer for
18 acquiring that card, how is that revenue treated, is that
19 Rentcash revenue? Is it distributed amongst the -- the
20 participants in this structure we've talked about a
21 moment ago?

22 MR. GORDON REYKDAL: Okay, with -- with
23 respect to the card specific and the purchase of the
24 card. Actually, Rentcash purchases the cards and
25 inventories the cards and then we sell them to the

1 customers and we have a cost to -- of the cards, of
2 course, and our cost of that card is approximately three
3 dollars (\$3).

4 And then we have our inventory costs and
5 handling costs and then plus -- also, within that cost if
6 -- if a customer loses their card or needs a replacement
7 card for whatever reason, we do that free of charge.

8 MS. ANITA SOUTHALL: So that lost
9 business, though, is covered off in your costing at three
10 dollars (\$3)?

11 MR. GORDON REYKDAL: That's correct.

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: And now if I could
16 ask you to explain the same process, if you would, in
17 respect of the pri -- private label credit card. Is
18 there -- is there one (1) form of credit card?

19 I turn again to page 10 of the Roth
20 presentation and there is something called a Freedom
21 Prepaid Mastercard, sir or madam.

22 MR. GORDON REYKDAL: Yes, I see that.
23 Yeah.

24 So, I mean this card is a fairly new
25 product offering and that is basically on the Mastercard

1 and agreement with Direct Cash and Mastercard to be able
2 to provide that service through -- through Mastercard
3 which allows the customers to -- different than a debit
4 card, where they have to be in person to make the
5 transactions.

6 With the Mastercard they can make online
7 purchases or make any Internet purchases, or over the
8 phone, or whatever it may be. So it's a little -- a
9 different -- different level of service for the customer.
10 Dif -- different card.

11 MS. ANITA SOUTHALL: Is there a fixed
12 amount advanced in a similar way to the -- the way that
13 you describe the funding process for debit cards?

14 MR. GORDON REYKDAL: There -- there is at
15 this stage, but as I mentioned earlier in my
16 presentation, that Direct Cash Income Fund is now a
17 Schedule 1 bank and it will be -- it's Direct Cash's
18 plans to have this all converted over to within their
19 bank Charter.

20 And the car -- and the cards would be
21 subsequently moved from All Trans Credit Union to Direct
22 Cash bank.

23 MS. ANITA SOUTHALL: So just in terms of
24 this credit card product. If someone carries a balance
25 on this credit card and it passes a pay period, does that

1 balance remain accessible by the customer or is -- how
2 does that work with a credit card product so far?

3 MR. GORDON REYKDAL: Well, if -- if with
4 any -- with any of the cards, if there's any -- if
5 there's amounts that are left on the card of the
6 customers, they're -- they're able to use that.

7 And I would have to clarify: On the
8 Mastercard, but I know for certain on the debit cards
9 that there is a ninety (90) day period that the customer,
10 without being -- there -- there is an act -- there is a
11 charge that -- that Direct Cash applies if the card is
12 inactive for a ninety (90) day period, not being used.
13 They charge a maintenance fee on that particular card.

14 But -- but the customers are able to
15 access the cards at any -- at any time through the whole
16 process, so.

17 MS. NANCY BLAND: In addition to that, on
18 the credit card there's a seven ninety-five (7.95), I
19 believe it is, monthly fee.

20 So if it goes over a month period, then
21 you incur that cost as well.

22 MS. ANITA SOUTHALL: So can you explain,
23 Ms. Bland, or just -- just as a follow up question to
24 that.

25 What would the borrower, or the customer,

1 be receiving for the seven ninety-five (7.95) a month? I
2 mean, if -- if they keep it active for several months, do
3 they get charged seven ninety-five (7.95) per month?

4 I'm a little bit unclear from the oral
5 testimony how that part of it works. If someone could
6 explain that.

7 MR. GORDON REYKDAL: I mean, the -- that
8 is the arrangement -- or what the charge is from, well,
9 Direct Cash, and MasterCard. That's the -- that's their
10 arrangement for the -- for the use of the card. So the
11 customer is paying the seven ninety-five (7.95) per month
12 for -- and having the ability to be able to use that
13 card.

14 That's the maintenance fee, I guess. Not
15 unlike, I guess, if you're getting a -- I get my VISA or
16 my MasterCard. On my AMEX, I pay a three hundred dollar
17 (\$300) fee for that for a year for the use of that card.
18 It's not too dissimilar, but it's more designed on a
19 monthly basis.

20 MS. ANITA SOUTHALL: Can you tell us with
21 a -- with the MasterCard product, if the borrower
22 receives a monthly statement?

23 MR. GORDON REYKDAL: I don't know the
24 answer to that.

25 MS. NANCY BLAND: They -- they have

1 access to online facility where they can check their
2 balances at any time.

3 MS. ANITA SOUTHALL: Do they have an
4 option for a hard copy statement or is that their only
5 option?

6 MR. GORDON REYKDAL: They can get that
7 from the store. They could come into the store at any
8 time and -- and obtain that. And we -- we charge no fee
9 for that.

10 MS. ANITA SOUTHALL: And -- and just one
11 (1) last point on the credit card operation, or the --
12 the mechanics of it.

13 Is the seven ninety-five (7.95) monthly
14 fee char -- actually charged to the credit card?

15 Does it -- does it show up as a credit
16 card charge or is that paid separately somehow?

17 MR. GORDON REYKDAL: It would show up as
18 a charge on the card.

19 MS. ANITA SOUTHALL: And once the balance
20 on the credit card is at zero (0), does the seven ninety-
21 five (7.95) continue if the person doesn't cancel the
22 card?

23 MR. GORDON REYKDAL: There's no -- the --
24 the -- my understanding is that there's -- if there's no
25 money on the card, there's no fee charged.

1 MS. ANITA SOUTHALL: So if there's a
2 dollar (\$1) on the card -- just being a little bit
3 facetious here, but if there's a dollar (\$1) on the card,
4 that fee would apply?

5 MR. GORDON REYKDAL: My assumption is
6 that they would take the dollar (\$1), yes.

7

8 (BRIEF PAUSE)

9

10 MS. ANITA SOUTHALL: I understand that
11 the credit card product has been available since July of
12 this year? July 2007?

13 MR. GORDON REYKDAL: That's correct. And
14 it was on a limited basis to start with. But that's
15 correct.

16 MS. ANITA SOUTHALL: And from Information
17 Request responses that have been provided by Rentcash,
18 the current breakdown, as I understand it, is
19 approximately 27 percent of customers taking payday loan
20 advances on the credit card product?

21 MR. GORDON REYKDAL: That's correct. To
22 date, yes.

23 MS. ANITA SOUTHALL: And is that
24 nationally, that percentage?

25 MR. GORDON REYKDAL: I can't speak to

1 that nationally at this stage. No.

2 MS. NANCY BLAND: That was our national
3 figure, yes.

4 MS. ANITA SOUTHALL: Do you happen to
5 have the Manitoba percentage of that?

6 MS. NANCY BLAND: We can absolutely get
7 that for you.

8 MS. ANITA SOUTHALL: Thank you very much.
9 If you would.

10

11 --- UNDERTAKING NO 58: Percent of customers in
12 Manitoba taking payday loan
13 advances on the credit card
14 product.

15

16 CONTINUED BY MS. ANITA SOUTHALL:

17 MS. ANITA SOUTHALL: And I take it with
18 less than 1 percent of people who are borrowing through
19 Rentcash outlets receiving cheques, that approximately 73
20 percent, or just -- just under that, are taking their
21 payday loan advances by the debit card product. Correct?

22 MR. GORDON REYKDAL: That's correct.

23 MS. ANITA SOUTHALL: And again, if you
24 would just check those percentages for Manitoba, and let
25 us know please?

1 MR. GORDON REYKDAL: Will do.

2 MS. ANITA SOUTHALL: For the record,
3 there is no cash option available through Rentcash.
4 Correct?

5 MR. GORDON REYKDAL: That's correct.

6 MS. ANITA SOUTHALL: The electronic funds
7 transfer, Mr. Reykdal, that you noted, that -- that isn't
8 currently available, I take it?

9 MR. GORDON REYKDAL: It's not as of yet.
10 We're working with our bank, the CIBC, to put together
11 the program that can get them in the same day. It's
12 currently available for us but it's a three (3) day delay
13 which we don't think would be attractive to our
14 customers, so they have told us they'd have something in
15 place shortly that we'll be able to offer. So we -- we
16 anticipate that being able -- being able to offer that to
17 our customers early in the New Year.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: Pardon me. I'm just
22 locating the next piece of information I want to review
23 on the Roth presentation.

24

25 (BRIEF PAUSE)

1 MS. ANITA SOUTHALL: Yes, thank you. If
2 you could turn to page 7 of the presentation, back a few
3 pages, please.

4 MR. GORDON REYKDAL: Okay.

5 MS. ANITA SOUTHALL: Thank you. You've
6 indicated in this presentation, and it's -- it's recent
7 so I take it to be accurate, that the average payday loan
8 size for Rentcash outlets is three hundred forty-five
9 dollars (\$345), correct?

10 MR. GORDON REYKDAL: Yes, and that is --
11 that is a net number, net of the broker fee, and that's
12 just to compare -- provide comparable data, as in the US
13 they -- they always have it net of fees so.

14 MS. ANITA SOUTHALL: And are you able to
15 tell us what the average loan is grossed up with fees
16 included?

17 MR. GORDON REYKDAL: It would be 20
18 percent of that number so approximately the seventy
19 dollars (\$70), yeah.

20 MS. ANITA SOUTHALL: So around four
21 hundred and fifteen (415) -- four hundred and twenty
22 (420); something like that?

23 MR. GORDON REYKDAL: That's correct.

24 MS. ANITA SOUTHALL: You indicate the
25 average term is thirty-one (31) days or less; do you see

1 that?

2 MR. GORDON REYKDAL: Yes.

3 MS. ANITA SOUTHALL: And how is that
4 average term of loan derived? Is that a blend of the
5 regular payday loan product and the signature loan
6 product?

7 MR. GORDON REYKDAL: Yes, it is, and
8 broken down according -- like our average -- our average
9 payday loan, we offer up to eighteen (18) days and then
10 the average being offered up to thirty-one (31) days on
11 the signature loan product. And they're not purport --
12 they're not equal size of loans, they're proportionally
13 measured, so.

14 MS. ANITA SOUTHALL: So the average
15 payday loan product at eighteen (18) days would take into
16 account the fact that you'll have some customers who pay
17 their loan before pay day, some customers who will pay it
18 from their pay day proceeds, and some customers who will
19 pay after pay day; is -- is that fair?

20 Or if it's been calculated some other way
21 if you could explain that.

22 MR. GORDON REYKDAL: Just maybe for a
23 point of clarity. Like the -- when -- when -- on this
24 slide referring to average term," we're saying that the -
25 - the thirty-one (31) days or less, we're not saying that

1 our average loan is thirty-one (31) days.

2 The -- the loan we offer, the product we
3 offer on the payday are up to -- up to eighteen (18) days
4 but that is not our actual average term and the thirty-
5 one (31) days is not actually -- that's a maximum.
6 Sorry.

7 MS. ANITA SOUTHALL: Oh, that's fine.
8 Thank you for clarifying that.

9 Are you able to tell us the averages that
10 I was asking about? In other words, your -- your average
11 length of loan for the payday loan product and average
12 length of loan for the signature loan product?

13 MR. GORDON REYKDAL: On the -- on the
14 payday loan product it's -- there's a decimal but it's a
15 little bit better than twelve (12) days on average and
16 it's a little bit better than twenty-eight (28) on the
17 signature product.

18 But, again, they're not -- they're not
19 equal percentage-wise of the total overall business so
20 the average blend as a company overall would be somewhat
21 less than the -- you know, it's -- it's a little bit
22 better than the twelve (12) days, it's like -- just under
23 fifteen (15) days on average for the whole combined
24 company.

25 MS. ANITA SOUTHALL: I'm trying to

1 understand what you were explaining there, Mr. Reykdal,
2 is it that you have a larger number of one (1) kind of
3 loan product and I'm assuming that's probably the payday
4 loan product is the majority of the loans; is that what
5 you were getting at?

6 MR. GORDON REYKDAL: That's correct.

7 MS. ANITA SOUTHALL: The next bullet down
8 on page 7 of the presentation indicates "Broker fee 20
9 percent of total loaned amount." Could you just describe
10 what is meant by that statement?

11 MR. GORDON REYKDAL: That is meant that
12 the total amount loaned, we charge a 20 percent fee and -
13 - of which includes the broker fee that the customer
14 generally borrows to pay us.

15 So it's twenty dollars (\$20) -- it's 20
16 percent of the total amount the customer borrows.

17 MS. ANITA SOUTHALL: I'm going to take
18 you for just a moment to your proposal which has got the
19 table at the very back. If you could please.

20

21 (BRIEF PAUSE)

22

23 MS. ANITA SOUTHALL: Do you have that
24 handy now?

25 MR. GORDON REYKDAL: Yes, I do.

1 MS. ANITA SOUTHALL: Thank you. So I --
2 I want to -- to zero in on this right now while we're
3 talking about this concept of the brokerage fee.

4 Looking at the first column of figures
5 under "Hundred dollar (\$100) loan, twelve (12) days to
6 payday." Panellist, do you see that?

7 MR. GORDON REYKDAL: Yes, I do.

8 MS. ANITA SOUTHALL: So under the first
9 column if someone was to receive their funds by cheque
10 and the desired borrowing amount was a hundred dollars
11 (\$100), the broker fee of 20 percent, could you tell us -
12 - or explain the -- the mathematical calculation that
13 gets us to twenty-five dollars (\$25)? As I think it
14 relates to the broker fee concept you were just
15 describing.

16 MR. GORDON REYKDAL: Right. The customer
17 would have to indeed borrow to pay us our -- to pay us
18 our fee he would have to indeed borrow a hundred and
19 twenty-five dollars (\$125) dollars. We would charge a 20
20 percent fee on top of that for the total amount borrowed.

21 MS. NANCY BLAND: It's the whole concept
22 of value received versus value borrowed. And so the
23 customer wants to take out a hundred dollars (\$100), he's
24 not paying his twenty dollar (\$20) fee in cash, he's
25 adding it to the loan.

1 And so the loan has to be upped in order
2 to get that full value that they want to take home in
3 their pocket and so that's where that comes from.

4

5 (BRIEF PAUSE)

6

7 MS. ANITA SOUTHALL: Okay. I have
8 attempted to do the math here. I'm not getting to
9 twenty-five dollars (\$25).

10 I -- I -- we did to be honest, 20 percent
11 of a hundred and twenty dollars (\$120) which got us to
12 twenty-four dollars (\$24) if we've done the math
13 properly.

14 So we're obviously missing a component, if
15 you could explain.

16 MS. NANCY BLAND: It's the whole circular
17 nature of the -- the calculation.

18 And so if you take a hundred and twenty-
19 five (125) and divide it -- or times that by 20 percent,
20 you'll get what our total broker fee minus -- the total
21 value borrowed, minus the broker fee will get you the
22 hundred dollars (\$100) that they want in their pocket.

23 And so short of having a blackboard and
24 showing you the calculation, that's where it gets to.

25 MS. ANITA SOUTHALL: We would like you to

1 provide the calculation that shows us exactly how we get
2 to twenty-five dollars (\$25).

3 MS. NANCY BLAND: We'll do that in the
4 break.

5 MS. ANITA SOUTHALL: Thank you.

6

7 --- UNDERTAKING NO. 59: Provide calculation that
8 shows exactly how you get to
9 twenty-five dollars (\$25)

10

11 (BRIEF PAUSE)

12

13 CONTINUED BY MS. ANITA SOUTHALL:

14 MS. ANITA SOUTHALL: If I could ask you
15 just to turn the page in the Roth presentation to page 8
16 please.

17 I take it this is, well, it wouldn't be
18 quite accurate, I think you indicated that you now have
19 three hundred and sixty-one (361) stores across Canada?

20 MR. GORDON REYKDAL: That's correct.

21 MS. ANITA SOUTHALL: And where would
22 those additional two (2) stores be located on this
23 footprint map for Rentcash?

24 MS. NANCY BLAND: Can I answer that?

25 Where -- and I'm anticipating where you're going, but you

1 might not be, when we moved from 36 (three-six) -- or
2 three fifty-eight (358) to three sixty-one (361), we
3 actually closed a number of stores and opened a number of
4 stores, and so that would be a net three (3) opening and
5 so we could get you the numbers of closed and opened.

6 MS. ANITA SOUTHALL: I won't make you go
7 to quite that effort, but if you could perhaps provide us
8 that whatever has occurred in Manitoba that leads to that
9 net difference, that would be appreciated, thank you.

10

11 --- UNDERTAKING NO. 60: Provide whatever has occurred
12 in Manitoba that leads to the
13 net difference of three (3)
14 Rentcash stores opening
15 across Canada.

16

17 CONTINUED BY MS. ANITA SOUTHALL:

18 MS. ANITA SOUTHALL: And the current
19 number of outlets in Manitoba?

20 MR. GORDON REYKDAL: It's twenty-six
21 (26).

22 MS. ANITA SOUTHALL: Has, I believe, and
23 I've reviewed so much evidence in this matter, I'm not
24 sure if Rentcash has provided us with mapping associated
25 with where the outlets are located in Manitoba.

1 First of all, I guess, are -- are any
2 located outside of Winnipeg?

3 MR. GORDON REYKDAL: Yes, there are.

4 MS. ANITA SOUTHALL: And what other
5 communities?

6 MR. GORDON REYKDAL: Okay. We are
7 actually -- yeah, Brandon, Thompson, Flin Flon, let's see
8 what else...

9 Actually it is -- we did provide a
10 detailed map of the locations outside of Winnipeg --
11 inside Winnipeg -- or inside Winnipeg. And then, yeah,
12 the outside -- outside the city.

13 We can get that information for you, but
14 we're -- we're certainly near the smaller communities
15 also too.

16 MS. ANITA SOUTHALL: The -- the Panel
17 just indicated to me that they remember seeing your, you
18 know, your detailed map of the locations in Winnipeg, but
19 thank you for that information on outside of Winnipeg as
20 well.

21

22 --- UNDERTAKING NO. 61: Rentcash to provide a mapping
23 associated with where all
24 outlets are located outside
25 Winnipeg.

1

2 CONTINUED BY MS. ANITA SOUTHALL:

3 MS. ANITA SOUTHALL: Looking at page 8 of
4 the presentation for Roth, there don't appear to be any
5 outlets in the province of Quebec, is that accurate?

6 MR. GORDON REYKDAL: That's correct.

7 MS. ANITA SOUTHALL: And why doesn't
8 Rentcash operate in Quebec?

9 MR. GORDON REYKDAL: The province, in our
10 understanding, the province does not allow for this
11 business to operate in the province of Quebec.

12 MS. ANITA SOUTHALL: Is there legislation
13 in Quebec that actually prohibits it or does it set too
14 low a rate for -- for your operation to be viable there?

15 MR. GORDON REYKDAL: I mean -- I'm -- and
16 -- and there is -- there are regulations in place, there
17 are lower rates, maximum rates, that lenders are allowed
18 to charge, I'm not certain that we couldn't operate there
19 as a broker in that province, but I decided not to -- not
20 to go in there though.

21 MR. ANTOINE HACAULT: Ms. Southall, on
22 the number of stores, subject to check, is there were
23 five (5) new stores opened and none closed, so if you
24 look at the table, you had twenty-one (21) for the
25 presentation. The answer was given there's twenty-six

1 (26). So subject to check it -- there wouldn't have been
2 any closures and we just added the five (5).

3

4 CONTINUED BY MS. ANITA SOUTHALL:

5 MS. ANITA SOUTHALL: Thank you.

6 And -- and just one last question before I
7 leave that: When we go back and look at that mapping
8 that was done for the evidence filing would those new
9 locations also be -- already depicted on that mapping?

10 MS. NANCY BLAND: We'll have to check
11 that one for you.

12 MS. ANITA SOUTHALL: Thank you, then, I'd
13 appreciate it if you could let us know that.

14

15 --- UNDERTAKING NO. 62: Rentcash to advise whether
16 the mapping that was done for
17 the evidence filing would
18 show the new locations
19 depicted on that mapping.

20

21 MS. SUSAN PROVEN: I -- I just have one
22 question, I don't want to pass by Quebec too fast. You
23 said something about the rates were lower there, you
24 could have operated as a broker. What were the rates?

25 MR. GORDON REYKDAL: My understanding is

1 that the maximum rate, unlike the rest of Canada, being
2 at 60 percent for lenders, is I believe, 35 percent in
3 the province of Quebec. So for us to attract lenders to
4 even provide loans to customers there, there would
5 certainly be a higher cost attached to that, so that's
6 something that we've never entertained looking into going
7 into that province.

8 MS. SUSAN PROVEN: Thank you.

9
10 CONTINUED BY MS. ANITA SOUTHALL:

11 MS. ANITA SOUTHALL: Now if I could ask
12 you to turn to page 9 of the presentation. I'm just
13 going to ask you to please explain the -- the broker
14 process for payday loans through the Rentcash model.

15 First of all, I understand that the
16 customer would come into a physical Rentcash outlet,
17 being a -- a Cash Store or an InstaLoans location,
18 correct?

19 MR. GORDON REYKDAL: That's correct.

20 MS. ANITA SOUTHALL: And the customer is
21 seeking a payday loan advance through one (1) of the
22 customer service representatives present in one (1) of
23 those outlets?

24 MR. GORDON REYKDAL: That's correct.

25 MS. ANITA SOUTHALL: And then could you

1 just explain maybe then taking us through the model as
2 it's set out page 9 what happens next in the process?

3 MR. GORDON REYKDAL: Okay. I mean, I'll
4 explain it -- me as a customer. Once a customer comes in
5 and is informed that -- or pardon me -- informed our
6 associates that they're looking or an advance, what they
7 do is they go through a formal application process where
8 they engage as a broker, agree to pay us a fee to do so.

9 Then we gather all the information from
10 the customer and then basically the customer -- we have
11 multiple lenders to choose from, but we have the customer
12 agree, you know, if they do so -- wish -- you know, that
13 we can assign a -- a lender for them at that particular
14 store.

15 So all the information is gathered and
16 then the -- if the -- the customer meets with the
17 criteria that the lender has set out then the advance is
18 then provided to for the customer. And so what takes
19 place is the -- the customer then wants -- the advance
20 limit is set and established with the criteria met by the
21 lender.

22 Then the advance limit is set on the card
23 and then the customer is explained quite thoroughly what
24 takes place with respect the whole process; the due date,
25 the full costs associated with that. And then the

1 customer leaves a -- a cheque in the store. And then we
2 have certain functions that we must perform for the
3 lender, i.e., the collection and followup on the account.

4 And then we inform the customer that we do
5 a pre-call in advance, we go through the whole process of
6 how the collection process works and what we do. And --
7 and then the customer -- we basically -- comes back in
8 and the funds are either -- then are remitted back to the
9 lender on that perspective on there or advanced
10 accordingly depending whether the customer gets a loan or
11 not, so.

12 MS. ANITA SOUTHALL: We heard evidence
13 earlier in this proceeding from the -- I believe he was
14 the president of Assistive Financial, Mr. Schiffner?

15 MR. GORDON REYKDAL: Yes.

16 MS. ANITA SOUTHALL: And Assistive
17 Financial is one (1) of the lenders that supports
18 Rentcash outlet lending in Manitoba, as I understand it,
19 is that correct?

20 MR. GORDON REYKDAL: That's correct.

21 MS. ANITA SOUTHALL: Mr. Schiffner
22 indicates that -- I believe if I'm recalling his evidence
23 correctly, that it's very rarely that once the lending
24 criteria is set that Rentcash customer service
25 representatives would ever have to be in touch with

1 Assistive Financial in respect of approving based on that
2 criteria, is that correct?

3 MR. GORDON REYKDAL: Yeah. In the
4 lending agreements there is a broker and financial
5 agreement set out with each lender, and this specifies
6 what the criteria by each of the various lenders.

7 And they have various processes that they
8 can -- is up to the lender, either have the -- you know,
9 the application sent to them, which would be very timely
10 and -- and costly or they can set out a pre -- they can
11 have a pre-determined scoring through a service bureau
12 and/or have a pre-scoring done that if the customer meets
13 with the scoring that the advance would then be granted,
14 so.

15 But there's very little communication back
16 after that point.

17

18 (BRIEF PAUSE)

19

20 MS. ANITA SOUTHALL: Mr. Reykdal, you
21 indicated in your oral presentation today that there was
22 fairly extensive training of your employees in respect of
23 information to be provided to customers, disclosure of
24 information related to the loans, is that correct?

25 MR. GORDON REYKDAL: That's correct.

1 MS. ANITA SOUTHALL: And is there some
2 sort of script or outline of specific information which
3 is standardized which the service representatives would
4 be following in order to ensure that the necessary
5 information is delivered?

6 MR. GORDON REYKDAL: Yes, each of our
7 store associates are provided with actually -- well, also
8 telephone scripts also, so that people that are calling
9 in that they do follow certain guidelines. And then the
10 -- the information required is fairly -- it's all part of
11 our training and our -- our policies and procedures so.

12 MS. ANITA SOUTHALL: Are you able to
13 provide that to us?

14 MR. GORDON REYKDAL: I think that -- I
15 mean just -- I mean, quite frankly, as long as it doesn't
16 -- I have to consider that because it would be
17 confidential.

18 I mean I would provide it on a
19 confidential basis to the Board because I wouldn't want
20 our competitors to have that, you know, so I think that
21 we may want to --

22 MR. ANTOINE HACAULT: Ms. Southall, as
23 you may recall, we were the only Intervenor that offered
24 to provide it both to the Board and to the Coalition on a
25 confidential basis as long as our competitors didn't have

1 it.

2 We were opening the audience so the speak
3 to -- to that information as long as the Coalition agreed
4 to keep it confidential so it could be tested by the
5 Board counsel, by the Coalition and -- and reviewed by
6 those parties.

7 However, events have unfolded such that
8 the offer which we have made to be open in that way,
9 wasn't accepted I want to say. So the company is still
10 willing under those circumstances to provide information
11 and allow it to be tested but not to the competitors.

12 MS. NANCY BLAND: We have in our
13 submission -- summarized it as best possible in flow
14 charts under Attachment 'E' on the training and what it
15 all entails. Just not the scripts exactly.

16 MR. ALLAN FORAN: If it assists, we'd
17 certainly consent to that if they want to produce that to
18 the Coalition and to the Board. CPLA would waive its
19 right to have disclosure.

20 MS. ANITA SOUTHALL: The difficulty that
21 I think that enters into that kind of a process is that
22 there a number of Intervenors, many of whom are not
23 represented here today. Mr. Foran, thank you for -- for
24 the record indicating that that disclosure may be viable.
25 So I -- I -- and Mr. Hacault, thank you for your

1 explanation.

2 Having said that the -- I suppose what I
3 will call the bottom line is that unless that could be
4 provided in a confidential way, it's considered
5 commercially sensitive and effects your -- your
6 competitive position in the marketplace though.

7 MR. GORDON REYKDAL: That's correct.

8 MS. ANITA SOUTHALL: Again, if -- if I'm
9 crossing the line here in terms of touching on something
10 that -- that you think effects it, please say so.

11 What I was -- one thing I was trying to
12 understand is whether or not when someone comes in, they
13 are -- the brokerage model is actually explained to them.

14 In other words, if there's a way for you
15 to describe -- I thought I understood you to be
16 effectively saying that in response to an earlier
17 question I posed.

18 And -- and because they're actually --
19 appear to be entering into a lending agreement with the
20 lender as opposed to a Rentcash outlet as a broker, I
21 wondered if that was actually disclosed.

22 MR. GORDON REYKDAL: Yeah, that most
23 certainly is disclosed. At the outset where the customer
24 engages us as a broker, that's disclosed in the
25 documentation and then further throughout all the

1 documentation provided to the customer which includes a
2 promissory note which is in favour of the lender, very
3 specifically outlines the lender.

4 And then in our disclosure document, it
5 breaks down what fee they're paying us as a broker and
6 that's all very clearly described in all of our
7 disclosure documents.

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: I just have a couple
12 of more questions with respect to the process. And just
13 turning back to -- or -- or looking back at page 9 of the
14 presentation.

15 And, Mr. Reykdal, I believe you've
16 indicated that the lenders who provide capital through
17 Rentcash outlets to fund advances to borrowers all
18 currently charge 59 percent per annum on their lending?

19 MR. GORDON REYKDAL: That's correct.

20 MS. ANITA SOUTHALL: Do you know why
21 they've set 59 percent across the board?

22 MR. GORDON REYKDAL: Quite frankly, it's
23 the maximum they're allowed to charge but it's also
24 relative to the risk associated with the loans they're
25 advancing with a view to try to cover as much of their

1 costs as possible.

2

3 (BRIEF PAUSE)

4

5 MS. ANITA SOUTHALL: So -- so -- sorry,
6 just a moment ago when you indicated the -- the maximum
7 that they would be allowed to charge is -- is that in
8 reference to the 60 percent Criminal Code rate? Is that
9 -- is that what the reference was to?

10 MR. GORDON REYKDAL: That's correct.

11

12 (BRIEF PAUSE)

13

14 MS. ANITA SOUTHALL: Just in terms of the
15 -- the box on page 9 of the presentation identified as
16 "The Lender," you indicate that the lender provides
17 advances on debit cards. We did talk a while back about
18 in my cross-examination about the credit card product.

19 Is -- is the process then different in
20 terms of who provides the advances for credit card
21 borrowing?

22 MR. GORDON REYKDAL: The process is the
23 same.

24 MS. ANITA SOUTHALL: We heard from
25 Assistive Financial again earlier in this process that I

1 believe, if I recall correctly, that it's probably a year
2 and a half or two (2) years since they've been asked to
3 provide a cheque.

4 Is that consistent with all of your other
5 lenders?

6 MR. GORDON REYKDAL: No, there has been
7 some requests of cheques from other lenders during that
8 period but I think that was specific to Assistive's
9 experience.

10 MS. ANITA SOUTHALL: And it remains
11 accurate though that it's less than 1 percent of
12 transactions where cheques are required?

13 MR. GORDON REYKDAL: That's correct.

14

15 (BRIEF PAUSE)

16

17 MS. ANITA SOUTHALL: Could you turn to
18 page 12 of the presentation, please?

19

20 (BRIEF PAUSE)

21

22 MS. ANITA SOUTHALL: And could you just
23 explain what's depicted in the average brokerage revenue
24 on the chart?

25 MR. GORDON REYKDAL: This chart breaks

1 down the -- basically the average ten (10) year of each
2 store. A category is probably a number of stores in each
3 -- each year being less than one (1) year, one (1) to two
4 (2), two (2) to three (3) and stores that are over three
5 (3) years and what the average revenue is for each of
6 those stores annualized based on our last quarterly --
7 quarterly numbers, Q4 being annualized for the twelve
8 (12) month period.

9 MS. ANITA SOUTHALL: And I take it as a
10 store becomes more mature it produces more revenue; is
11 that accurate?

12 MR. GORDON REYKDAL: That's correct.

13 MS. ANITA SOUTHALL: And is that as a
14 result of the ability to build up clientele and also
15 obtain repeat business from those customers?

16 MR. GORDON REYKDAL: The -- the majority
17 of the increase in revenues is primarily related to new
18 customers growth.

19 MS. ANITA SOUTHALL: I don't recall that
20 Rentcash is on the record identified that ratio of repeat
21 business to new business. Do you recall if that's been
22 provided?

23 MR. GORDON REYKDAL: No, that's not been
24 provided.

25 MS. ANITA SOUTHALL: Is that also

1 considered confidential?

2 MR. GORDON REYKDAL: Yes, it would be.

3 MS. ANITA SOUTHALL: Did Rentcash
4 participate in the Ernst & Young study?

5 MR. GORDON REYKDAL: Yes, we did.

6 MS. ANITA SOUTHALL: And are you able to
7 comment at all on the fifteen to one (15:1) repeat to new
8 customer ratio identified in the Ernst & Young study?

9 It is a slightly different question if
10 you'll grant me because that's a finding that they made
11 based on all of the consultations that they had with
12 payday lenders who -- who they managed to contact and
13 receive results from so that's why I'm asking it that
14 way.

15 MR. GORDON REYKDAL: I mean, quite
16 frankly, I couldn't comment on that to see if it's
17 relevant to our data without going back and looking, but
18 I -- I -- I couldn't really comment on that.

19 MS. ANITA SOUTHALL: And could you turn
20 to page 13 of the presentation, please.

21 This, I take it, depicts the storefronts
22 for the Cash Store and InstaLoans. Is -- and would these
23 be sort of the current presentation in the marketplace
24 across Canada?

25 MR. GORDON REYKDAL: That's correct.

1 MS. ANITA SOUTHALL: Mr. Reykdal, I think
2 you indicated earlier today that for the Installoan
3 locations, there were long term leases involved, and --
4 and as those are expiring, you're looking for new
5 premises, and you're actually working to -- to create the
6 single banner for the Cash Store. Is that accurate?

7 MR. GORDON REYKDAL: That's correct.

8 MS. ANITA SOUTHALL: Could you turn to
9 page 14, please?

10 In the Roth presentation, you've indicated
11 that the -- the payday loan market within this brokerage
12 division is not yet mature. Do you see that?

13 MR. GORDON REYKDAL: Yes, I do.

14 MS. ANITA SOUTHALL: Can you tell me
15 what's meant by that statement?

16 MR. GORDON REYKDAL: I would reference
17 back to, not only just our company, but the industry
18 itself being not mature, and mainly drawing a comparison
19 to the US marketplace being much more -- in bus -- being
20 operating much more -- in the longer period of time, much
21 more established.

22 So I was making a reference to the US
23 marketplace also.

24 MS. ANITA SOUTHALL: Do you have any
25 experience on what's happened in the US marketplace as a

1 result of State regulation of payday loan maximums?

2 MR. GORDON REYKDAL: I -- I -- well,
3 we've done a fair amount of looking into what's taking
4 place in the regulations.

5 I mean, in the US, and have -- our --
6 definitely our -- our views with respect to that. I
7 mean, I understand what's taking place, and do keep a
8 close eye on what's going on in the US marketplace.

9 MS. ANITA SOUTHALL: Do you have any kind
10 of study that -- or research that you've done that you
11 could provide to us?

12 It's -- I'm not really looking for
13 Rentcash's views on it so much as whether you've compiled
14 information in terms of what -- what has actually
15 occurred historically in respect of payday loan operators
16 under various regulatory regimes in the United States.

17 MR. GORDON REYKDAL: We have not -- we
18 don't really have anything other than just our own -- you
19 know, our own investigative work, and plus what we've
20 relied on; other -- other sources.

21 But it would be nothing that we could
22 really present in a format that would be, I think,
23 anything meaningful to the Board.

24 MS. ANITA SOUTHALL: Does Rentcash have
25 any plans to expand into the United States?

1 MR. GORDON REYKDAL: No. Absolutely not.

2 MS. ANITA SOUTHALL: Why absolutely not?

3 MR. GORDON REYKDAL: It's a -- well, two
4 -- a very competitive marketplace, and I think that it's
5 a -- there's some differences of operating in the
6 business in the US that the companies use greater
7 opportunities in other markets, and would look to, you
8 know, really devoted some resources to that versus in the
9 US.

10 MS. ANITA SOUTHALL: I may be reading
11 between the lines here, but are you identifying barriers
12 to entry in terms of your own analysis of that particular
13 market?

14 MR. GORDON REYKDAL: Well, I mean our
15 analysis -- I mean the market is, we believe, close to
16 being fully penetrated. And it could be closest -- you
17 know, to meaching -- meeting saturation, and there are a
18 lot of -- a lot of large organizations operating in the
19 US that are very significant dominate players with much
20 significantly -- significantly more resources than what
21 we would have.

22 So we feel we better stick in our own
23 backyard.

24 MS. ANITA SOUTHALL: Sir, on page 14 of
25 the Roth presentation, there's an indication that

1 Rentcash has first in market advantages.

2 Do you see that?

3 MR. GORDON REYKDAL: Yes, I do.

4 MS. ANITA SOUTHALL: And either one (1)
5 of you, could you just explain or elaborate on what is
6 meant by that in terms of Rentcash's current position in
7 the market?

8 MR. GORDON REYKDAL: And I'll speak to
9 that, because it was -- Nancy wasn't the CFO at the time,
10 but with respect to first-in-market advantages, mainly
11 being going to marketplace and having your business
12 established, and if they're in smaller communities,
13 really establishing that -- that goodwill with the
14 customers really has a -- has a -- has an advantage to
15 the business going into a -- well, probably not just
16 somewhat any business going into a market place, so by
17 getting in there first and establishing yourself, there's
18 -- there's definitely key advantage to that in operating
19 a business, so we -- we view that as a -- as a plus for
20 our company.

21

22 (BRIEF PAUSE)

23

24 MS. ANITA SOUTHALL: Just for the record,
25 I'm -- I'm going through this fairly extensively, partly

1 because it provides a good background in terms of who and
2 what Rentcash is, but also because I believe we asked in
3 our Information Request for the speaker's notes that
4 accompanied this and this, as I understand it, is what
5 Rentcash has provided in response to that question.

6 In other words there may be additional
7 detail in some other document but we didn't have access
8 to it.

9 MR. GORDON REYKDAL: And from a
10 standpoint of -- I did the presentation on my own and I
11 just talked to the points and so that's -- that's
12 basically what I've done, yeah.

13 MS. ANITA SOUTHALL: Okay. Thank you for
14 that explanation.

15 Now I would like you to turn to Tab 36 in
16 the supporting materials here that we've provided and
17 this would be the Dr. Gould report, in particular,
18 page 34, table 10.

19

20 (BRIEF PAUSE)

21

22 MR. GORDON REYKDAL: Yes.

23 MS. ANITA SOUTHALL: Thank you. You've
24 managed to locate that?

25 MR. GORDON REYKDAL: Yeah, I've got it,

1 yeah.

2 MS. ANITA SOUTHALL: Is the information
3 that Dr. Gould has assembled representative of -- of
4 Rentcash's operations, in particular, he identified
5 earlier in the record in his evidence, volume per store,
6 I think -- I guess that would be "average volume per
7 store" of \$1.4 million dollars?

8 Could you speak to that, please?

9 MR. GORDON REYKDAL: Okay, I'm just
10 seeing... where are you referencing that on the table,
11 sorry...?

12 MS. ANITA SOUTHALL: I am on table 10 and
13 under the --

14 MR. GORDON REYKDAL: Oh, sorry, yes. I'm
15 sorry, wrong -- wrong table. Okay, I've got that.

16 MS. ANITA SOUTHALL: That's fine.

17 MR. GORDON REYKDAL: Yes, Loan
18 Originations, yes.

19 MS. ANITA SOUTHALL: Consumer Loan
20 Originations, which I think he identified as total loan
21 volume --

22 MR. GORDON REYKDAL: Correct.

23 MS. ANITA SOUTHALL: -- in the vernacular
24 and that was being depicted on Dr. Gould's table on a
25 per-store basis as 1.431 -- sorry, one million four

1 hundred thirty-one thousand (\$1,431,000) dollars an
2 average?

3 MR. GORDON REYKDAL: That's correct.

4 MS. ANITA SOUTHALL: And -- and I was
5 asking if -- if you know that to be representative of
6 Rentcash's operations?

7 MR. GORDON REYKDAL: It is. That's from
8 our financial data provi -- or that was publicly filed,
9 yes. Correct.

10 MS. ANITA SOUTHALL: Is that
11 representative also of the average per-store volumes in
12 Manitoba?

13 MR. GORDON REYKDAL: I might have to
14 check that one.

15

16 (BRIEF PAUSE)

17

18 MR. GORDON REYKDAL: Yeah. Yeah, I would
19 believe that Manitoba numbers would be lower than that
20 but we can certainly get that number for you though.

21 MS. ANITA SOUTHALL: Thank you. If you
22 would.

23

24 --- UNDERTAKING NO. 63: Rentcash to advise if
25 operation is representative

1 also of the average per-store
2 volumes in Manitoba per Dr.
3 Gould's table.

4

5 CONTINUED BY MS. ANITA SOUTHALL:

6 MS. ANITA SOUTHALL: And if there's an
7 indication of, as I believe there is in the Roth
8 presentation, significant room for growth and improvement
9 in volume, that would mean that the existing stores in
10 your view have room to grow in terms of the total
11 consumer loan originations as Dr. Gould puts it.

12 Is that true?

13 MR. GORDON REYKDAL: That's correct, yes.

14 MS. ANITA SOUTHALL: And does Rentcash
15 have plans to expand with the number of outlets in
16 Manitoba as well? Is that also on the horizon?

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

19 MS. ANITA SOUTHALL: Could you turn back
20 now to Tab 53 again and just to pick up at page 15 of the
21 Roth presentation, please.

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: Sorry, I -- I think

1 I said fifty-three (53), and I meant fifty-four (54), so.

2 But just one more question arising from my
3 last question and your response: Has Rentcash attempted
4 to determine what it believes would be saturation in
5 Manitoba for the industry as a whole? Like, what, in
6 your view, what -- what total number of outlets may be
7 supportable at -- at the present time?

8 MR. GORDON REYKDAL: I mean with respect
9 to the analysis that we -- you know, we -- we do and we
10 complete is -- is based on some of -- using some of the
11 US information also too for what the market size in the
12 US based on the population and using a ten (10) to one
13 (1) factor based on the -- the population differences is
14 -- is somewhat of a guide we use. But then we do further
15 information to determine that.

16 So we -- we anticipate that number being
17 somewhat less than that of -- so the Manitoba
18 marketplace, without disclosing what number we think we
19 should be at for our -- for our business, you know, I --
20 I wouldn't probably want to go -- go into that detail.

21 But we do believe that there's -- there is
22 still room, because we -- we believe there's still some
23 under served markets in the -- in the province.

24

25 (BRIEF PAUSE)

1 MS. ANITA SOUTHALL: Sorry, I'm -- just
2 based on the information you've already provided to us on
3 the record in comparison to the US population and the
4 Canadian population, with Manitoba at approximately a
5 million residents -- I -- I may not be -- my conclusion
6 may be inaccurate, and you'll correct me, but are we
7 talking the potential to support a hundred (100) outlets
8 in Manitoba?

9 MR. GORDON REYKDAL: I think that number
10 would be high. If you could just give a sec, I can give
11 you a rough estimate on that.

12 MS. ANITA SOUTHALL: Yes, please.
13

14 (BRIEF PAUSE)
15

16 MR. GORDON REYKDAL: Just in real rough
17 estimates, I mean, and not using a complete ten (10) to
18 one (1) ratio, but we would estimate anywhere from say
19 sixty (60) to seventy-five (75) outlets.

20 MS. ANITA SOUTHALL: Thank you very much,
21 sir. Then if you would please, look at page 15 in the
22 Roth presentation. And this shows a customer profile
23 based on household income for Rentcash customers.

24 Is that correct.

25 MR. GORDON REYKDAL: That's correct.

1 MS. ANITA SOUTHALL: And what is the
2 source of this information, please?

3 MR. GORDON REYKDAL: This was a survey
4 done by Bannister Research and it was conducted in the
5 Province of Alberta.

6 MS. ANITA SOUTHALL: So, limited to
7 Alberta customers?

8 MR. GORDON REYKDAL: At the time, that's
9 the only survey that we did have complete. It was on the
10 Alberta customers, correct.

11 MS. ANITA SOUTHALL: And what was the
12 timing of the collection of the survey information?

13 MR. GORDON REYKDAL: The detailed
14 specifics I can get to you, but I believe it occurred
15 over a two (2) or so month period. Over -- oh, which
16 year? I'm sorry, well this was conducted in '07, I'm
17 sorry. Yeah.

18 MS. ANITA SOUTHALL: So there's no survey
19 information for Manitoba included in the Bannister
20 report?

21 MR. GORDON REYKDAL: Not -- no, we didn't
22 engage Bannister until post the -- the Alberta report.

23

24 (BRIEF PAUSE)

25

1 MS. ANITA SOUTHALL: Dr. Clinton, who we
2 heard from yesterday, in his report, I believe, drew upon
3 Bannister -- the Bannister report, is that correct?

4 MR. GORDON REYKDAL: I believe so, yes.

5 MS. ANITA SOUTHALL: And, so, if I'm
6 putting it together properly, the -- because the
7 Bannister report related to Alberta consumer information
8 and Dr. Clinton relied on that -- I see you're shaking
9 your head.

10 MR. GORDON REYKDAL: Yeah, no, he --

11 MS. ANITA SOUTHALL: I'm -- I'm sorry I -
12 - I don't mean to confuse.

13 MR. GORDON REYKDAL: No, he would have --
14 I mean, for this presentation we only had Alberta done.
15 But subsequent to that, we had surveys done in other
16 provinces and -- and which included Manitoba.

17 So he would have had access to that
18 information.

19 MS. ANITA SOUTHALL: So can you -- then
20 was the Bannister survey a national survey of Rentcash
21 customers?

22 MR. GORDON REYKDAL: No. We -- we've
23 done that by -- by certain provinces only at this stage.
24 We did do one (1) part -- one (1) part of the Bannister
25 survey was to survey customers at large across Canada,

1 but not specifically our customers.

2 There were certain -- a certain survey
3 done just at the general public at large.

4

5 (BRIEF PAUSE)

6

7 MS. ANITA SOUTHALL: So, in terms of the
8 Bannister survey, are you able -- and ,I know you're --
9 you've already indicated to us in pre-oral hearing
10 responses that you're not in a position to share that
11 survey publicly.

12 Is that correct?

13 MR. GORDON REYKDAL: That's correct, yes.

14

15 (BRIEF PAUSE)

16

17 MS. ANITA SOUTHALL: Did you gather
18 household income information and number or members --
19 pardon me, number of individuals in a household as part
20 of that survey instrument?

21 MR. GORDON REYKDAL: We did -- we did
22 gather household income, and number of individuals in the
23 household I believe would have been part of the survey
24 but I would have to confirm that to be absolutely
25 correct, so...

1 MS. ANITA SOUTHALL: And we know that
2 from page 15 of the Roth presentation based on the
3 customer profile for household income which is limited to
4 Alberta customers, that there is a certain depiction of
5 Rentcash's customers there, correct?

6 MR. GORDON REYKDAL: That's correct.

7 MS. ANITA SOUTHALL: And if -- if
8 possible we'd be asking for an undertaking to provide the
9 depiction that arises from the Bannister survey in terms
10 of this -- this same kind of breakdown.

11 MR. GORDON REYKDAL: I don't know that --
12 if that would be something that we would -- would or not
13 be prepared to provide on a confidential basis. We could
14 certainly look at that, but I -- I mean, I know our
15 competitors haven't provided that information per se, so
16 we think it would be unfair to -- for us to provide that
17 information, especially in this marketplace, especially
18 after we noted we're going to be expanding in the
19 marketplace also.

20

21 (BRIEF PAUSE)

22

23 MS. ANITA SOUTHALL: The difficulty we
24 have is that this is the information that's -- has been
25 made public on the public record, not for this

1 proceeding, we understand, but in the Roth presentation.

2 Is Alberta representative of what is
3 occurring elsewhere in terms of the breakdown of
4 household income for Rentcash's customers?

5 MR. GORDON REYKDAL: I -- I think if --
6 if you were to compare Alberta to Manitoba for mean
7 average household income and, you know, I think the --
8 the ratios would apply or the same differences would --
9 would apply with respect to Manitoba consumers as it
10 would to -- to Alberta consumers.

11 I think the -- you know, if -- if the
12 income -- if the income, pardon me, earned in Manitoba
13 was, say, 10 percent less than that of Alberta our -- you
14 know, for any other surveys, I think that would apply to
15 this. And we think this is -- is somewhat indicative of
16 our customer and our customer profile across the country.

17 MS. ANITA SOUTHALL: So, subject to the -
18 - the income adjustment that would be made to the general
19 population, Alberta versus Manitoba, with that caveat
20 this would be otherwise representative?

21 MR. GORDON REYKDAL: Yes. Yes.

22 MS. ANITA SOUTHALL: So then working just
23 from the Alberta information that we have at Table 15,
24 our calculation shows 52 percent of Rentcash's customers
25 in Alberta have household income of less than fifty

1 thousand dollars (\$50,000) or perhaps it's fifty thousand
2 dollars (\$50,000) or less that are depicted?

3 MR. GORDON REYKDAL: That's correct.

4 MS. ANITA SOUTHALL: The -- you've likely
5 had an opportunity to review the results of the Pollara
6 polling information that CPLA has filed.

7 Have you -- have you had an opportunity to
8 see that?

9 MR. GORDON REYKDAL: Yes, I have.

10 MS. ANITA SOUTHALL: I believe that the
11 Pollara distribution is consistent with this particular
12 Rentcash data in -- in respect of the payday loan
13 customers who were -- who were surveyed in -- in that
14 sample.

15 Do -- do you agree with that?

16 MR. GORDON REYKDAL: I agree with that,
17 yes.

18 MS. ANITA SOUTHALL: Why was the
19 Bannister survey undertaken? Are you able to tell us
20 that?

21 MR. GORDON REYKDAL: Firstly, was from a
22 consumer satisfaction process. I mean, we think that,
23 you know, we're -- we're doing what we -- or we believe
24 that this is the right thing in the marketplace. We want
25 to hear back from our consumers.

1 We held focus groups or they held focus
2 groups also, too, and, yeah, we spent a lot, as I
3 mentioned earlier, a lot of time on our training and --
4 and development of our associates and a big part of -- I
5 mean, making sure they explained everything.

6 We wanted to hear that our customers
7 actually are telling us the same thing and they're
8 satisfied with what they received but also are being
9 fully explained everything because that's important to
10 our business.

11 So that was -- really a further validation
12 of that was really the start of the process of that and
13 then plus also identifying who your customers are helps
14 us from a marketing perspective to -- you know, where we
15 should identify our marketing efforts and accordingly,
16 so.

17 MS. NANCY BLAND: Another reason that
18 survey was undertaken is that our president, Mr. Reykdal,
19 as well as one (1) of the chief operating officers does a
20 tour of Canada where he meets with every manager across
21 the country.

22 And this information helps us, on that
23 trip, to discuss what they see and compare and make sure
24 that we're marketing accordingly and doing what we can
25 accordingly.

1 MS. ANITA SOUTHALL: Mr. Reykdal, I
2 believe you indicated earlier today that you're the one
3 who gave the presentation to -- through Roth in New York.

4 Is that correct?

5 MR. GORDON REYKDAL: That's correct.

6 MS. ANITA SOUTHALL: What descriptors did
7 you give in the oral presentation about the customers of
8 Rentcash? Do -- can you check on that, or do you have a
9 -- a recollection of -- of how you described Rentcash's
10 customers?

11 MR. GORDON REYKDAL: Well, I believe that
12 -- and again, it would have been directly in relation to
13 the slide when talking about the customers. I think that
14 it was -- there was a lot of misconception about our --
15 about our industry, also too, and then identifying that,
16 you know, 10 percent of our customers are making over
17 ninety thousand (\$90,000) a year is something that sort
18 of -- people don't understand.

19 And I think that was important to
20 highlight that out. And I would have highlighted that
21 point, most certainly, and then, with respect to this
22 being a fairly indicative reflection of who our customers
23 are and what their income is, would have been more of a
24 profile description. But probably going beyond that, it
25 wouldn't have been much more than that described.

1 MS. ANITA SOUTHALL: It would have been
2 more or would not have?

3 MR. GORDON REYKDAL: Would not -- would
4 not have 'cause it was just the -- my presentation would
5 have been in relation to the slide. I can't recall
6 exactly what, you know -- but it would have been talking
7 about our customers and the profile, the customers, so.

8 And more so, relates to their -- their
9 household income, so.

10 MS. ANITA SOUTHALL: Are you able to
11 indicate to use whether the Bannister survey sampled or
12 obtained information for you on the educational levels of
13 those polled?

14 MR. GORDON REYKDAL: It most certainly
15 did, yes.

16 MS. ANITA SOUTHALL: You may recall that
17 in the Pollara survey, the least satisfactory aspect of
18 the service offering of payday loan products was price.

19 Do you recall that?

20 MR. GORDON REYKDAL: Yes, I do.

21 MS. ANITA SOUTHALL: Did the Bannister
22 survey also look at price and satisfaction?

23 MR. GORDON REYKDAL: It did, yes.

24 MS. ANITA SOUTHALL: Are you in a
25 position to tell us whether or not your results were

1 comparable to the Pollara survey in that respect?

2 MR. GORDON REYKDAL: I would have to
3 review the Pollara results. I can't remember exactly
4 what the -- the results were. But, you know, that
5 information would be -- again, our information. I'm not
6 necessarily of the view that we should be sharing that
7 information.

8 But overall survey with Bannister provided
9 very high ratings across because service was definitely
10 in there along with price. And that we certainly -- we
11 want to know from our customers for sure, so we wanted to
12 make sure we asked that question for our benefit and our
13 customer's benefit, so.

14 MS. ANITA SOUTHALL: So just to recap,
15 you have information on that. You're not prepared to
16 share it?

17 MR. GORDON REYKDAL: That -- at this
18 time, correct, yes. Yeah.

19

20 (BRIEF PAUSE)

21

22 MS. ANITA SOUTHALL: Could you -- as an
23 Undertaking -- I mean, if you're in a position to do so
24 now, that's fine. Just in terms of the educational
25 information that was derived from the Pollara survey that

1 has been filed with the Board, we're wondering if,
2 without disclosing the Bannister survey information on
3 education levels, if -- if it's possible for you to look
4 at the Pollara education demographic and tell us if you
5 understand that to be representative of Manitoba?

6 MR. GORDON REYKDAL: We'll do that for
7 sure, yes.

8 MS. ANITA SOUTHALL: Thank you.

9

10 --- UNDERTAKING NO. 64: To advise if the Pollara
11 education demographic is
12 representative of Manitoba
13

14 MR. GORDON REYKDAL: Yeah, with respect
15 to your -- your question on -- I mean, we did survey our
16 customers on price. Most certainly it was not at the
17 level of the satisfaction as the 80 percent level.

18 I don't want to mislead you to think that
19 our customers are saying, Well, they're all -- they all
20 want -- you know, they're not all looking for better
21 pricing, that's a fact of business and -- but that is
22 something that they did have part of their survey.

23 But again, I don't want to -- make sure
24 that you're not -- I'm not misleading -- you think it's
25 80 percent like I've told you about our overall survey,

1 that's definitely not the case.

2

3 (BRIEF PAUSE)

4

5 CONTINUED BY MS. ANITA SOUTHALL:

6 MS. ANITA SOUTHALL: Can you tell us
7 whether or not the survey results that you obtained from
8 Bannister had any effect on the recent adjustment to your
9 default fee from, what I believe, was a hundred (\$100)
10 default fee down to twenty-five dollars (\$25)?

11 MR. GORDON REYKDAL: That survey would --
12 did not -- was -- was done prior to that change taking
13 place. So we haven't got that information yet, but we
14 certainly will be having a survey done after about a
15 ninety (90) day period to see the impact of that, so.

16 MS. ANITA SOUTHALL: I was thinking of
17 the other way around.

18 In other words, did any of the survey
19 information that you retrieved drive that decision to
20 reduce the default fee, or was it reduced on -- based on
21 some other factor?

22 MR. GORDON REYKDAL: We did it for
23 competitive reasons.

24 MS. ANITA SOUTHALL: Could you look at
25 page 17 of the Roth presentation, please.

1 This contains your pro forma results, I
2 understand, for Rentcash. Are you at a stage where you
3 have actual results now?

4 MR. GORDON REYKDAL: Yes. These were the
5 actual year-end results -- June 30th, and these are the
6 actual results, yes.

7 These are -- but they -- they're on a pro
8 forma basis, which basically excludes the rental
9 division, so that is a picture of -- and a snapshot of
10 the financial performance of the brokerage division, with
11 our corporate expenses incorporated.

12 So it -- it -- it's demonstrating what the
13 company would look like after the rental division was
14 removed from the company.

15 MS. ANITA SOUTHALL: What -- and what I'm
16 trying to understand is, then is this an accurate
17 depiction after your year-end audit in terms of -- is
18 this representative of what the actual results were for
19 2007 for the brokerage division?

20 MR. GORDON REYKDAL: It would be
21 brokerage and just to -- the emphasis on the pro forma,
22 and the pro forma definition -- I mean, just taking into
23 account that the rental division would be excluded, any
24 of the financial revenues and/or losses or profits would
25 be excluded from these calculations.

1 MS. ANITA SOUTHALL: And, finally, at
2 page 19 of the presentation, the -- I'm not sure if it's
3 intended to be an ominous heading or not, but the first
4 bullet is, "Regulation is Coming."

5 Could you just explain what -- what was
6 covered in your presentation orally on that subject?

7 MR. GORDON REYKDAL: What was covered off
8 is that -- discussed the -- the Federal bill that was
9 passed that basically allowed for the Provinces to put
10 regulations in place, and discussing what would -- what
11 would take place.

12 And then the timing of -- of what we
13 anticipated would take place, you know, on a Provincial
14 basis, and sort of reviewing that, or providing an
15 overview on that.

16 And that was -- that was the whole point.
17 That it's coming in the industry, and that we -- that we
18 view that very positively.

19 MS. ANITA SOUTHALL: What would the
20 purpose be of covering that in the presentation?

21 MR. GORDON REYKDAL: Looking at the US
22 marketplace, and the -- it's the difficulties with --
23 with, and quite frankly, with regulations in the
24 industry, and, you know, it -- it's something that would
25 be viewed once regulations are in place.

1 There'd be certainly more -- more
2 certainty around the industry itself. Provide for more
3 predictability, and we believe would have a positive long
4 term impact on the -- on the value of the organization
5 and the industry.

6 MS. ANITA SOUTHALL: Thank you. I've
7 completed my examination on the Roth presentation.

8 I'm not sure if the panel members had any
9 questions arising out of this segment, but this, I think,
10 would be an appropriate time to break.

11 I'll be moving into other documents in my
12 cross-examination.

13 THE CHAIRPERSON: Very good. Thank you.

14 Okay. We'll have our lunch break. We'll
15 be back at 1:15 p.m.

16 MS. ANITA SOUTHALL: Thank you.

17

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

19 --- Upon resuming at 1:25 p.m.

20

21 THE CHAIRPERSON: Okay, sir. Mr.

22 Hacault, you can begin at any time.

23 MR. ANTOINE HACAULT: Thank you, Mr.

24 Chairman.

25 We've been requested by some of the

1 Intervenor to actually show the calculation, and it's
2 not in any way meant to be disrespectful of anybody who
3 understands it initially. But hopefully with an actual
4 showing on this board which we'll -- we will then
5 reproduce on a piece of paper to distribute. The parties
6 who perhaps don't understand how it works can have a
7 better understanding of how it does work.

8 THE CHAIRPERSON: That's fine, thank you.

9 MS. NANCY BLAND: So I'm going to
10 apologize for my penmanship right up front and I don't
11 know how to do this and talk at the same time.

12 THE CHAIRPERSON: I wouldn't pull it too
13 far because we've had troubles in other hearings where
14 it's -- one goes out and they all go out.

15 MS. NANCY BLAND: So if this is my
16 initial formula -- with "BF" meaning the brokerage fee
17 and a hundred dollar (\$100) loan example -- you would
18 multiply out -- and if I talk loud can you guys all hear
19 me?

20 So you'd multiply out the 20 percent times
21 a hundred (100) which would give you a twenty dollar
22 (\$20) fee plus 20 percent of the brokerage fee equals the
23 brokerage fee.

24 You take the twenty dollars (\$20) -- or
25 you take the 20 percent off. So twenty dollars (\$20)

1 would equal an 80 percent brokerage fee. And so the
2 brokerage fee ends up being twenty-five dollars (\$25)
3 just by dividing that into twenty (20).

4 So does -- sorry, does everyone understand
5 that?

6 THE CHAIRPERSON: We have it. Thank you.

7 MS. NANCY BLAND: Good.

8 So that was our first undertaking that we
9 wanted to clarify. We do have the answers to the rest of
10 the questions that were asked this morning.

11 For the record, the first store in
12 Manitoba opened on February 16th, 2002. When we look at
13 take-up rates for the MasterCard in Manitoba, they are
14 consistent with our national average.

15 This map that was provided in Appendix F
16 of our original submission does include two (2) new
17 stores in Winnipeg. The other three (3) that would have
18 been opened between then and now were opened in Flin
19 Flon, Dauphin and Thompson. One (1) in each of those.

20 Our average loan volumes per store in
21 Manitoba are consistent within the range historically
22 that were presented on those original sheets.

23 MR. GORDON REYKDAL: And I had confirmed
24 with our survey completed by Bannister with respect to
25 the educational makeup of our consumers in Manitoba are

1 similar to that of Pollara report.

2

3 CONTINUED BY MS. ANITA SOUTHALL:

4 MS. ANITA SOUTHALL: Ms. Bland, sorry
5 just back to that answer on the average loan volume.

6 MS. NANCY BLAND: Yes.

7 MS. ANITA SOUTHALL: Were you referring -
8 - I'm trying to remember how we got to that undertaking.
9 Was it in relation to the Dr. Gould Table 10?

10 MS. NANCY BLAND: Correct. In Table 34 I
11 believe on page 30 -- or no. Table 30 --

12 MS. ANITA SOUTHALL: Table 10, page 34 --

13 MS. NANCY BLAND: Correct.

14 MS. ANITA SOUTHALL: -- of the Dr. Gould
15 report.

16 MS. NANCY BLAND: Yes.

17 MS. ANITA SOUTHALL: And so your answer
18 confirms that the average loan volume per store in
19 Manitoba is -- is at about 1.4 million, consistent with
20 that table?

21 MS. NANCY BLAND: Within that range,
22 yeah.

23 MS. ANITA SOUTHALL: Thank you. And
24 thank you very much for assisting us, both with the
25 calculation that you've provided as well as the -- the

1 followup on those other pieces of information.

2 And are you completed then with the
3 responses?

4 MS. NANCY BLAND: Yeah.

5

6 CONTINUED BY MS. ANITA SOUTHALL:

7 MS. ANITA SOUTHALL: Thank you. Could
8 you turn now then to -- and we're going to turn now to
9 your pre-filed first round evidence which is found at Tab
10 55 of the materials.

11 And, specifically, if you could turn to
12 page 3 of the materials for Rentcash. Under the first
13 section which is -- or under the section I'm referring
14 you to is -- is Summary under 1.1 and the first bullet is
15 "Board's Mandate." Do you see that?

16 MR. GORDON REYKDAL: Yes.

17 MS. ANITA SOUTHALL: In line 24 on that
18 page, there is the statement:

19 "There is sufficient competition today
20 to protect the public interest."

21 Is that correct?

22 MR. GORDON REYKDAL: Yes.

23 MS. ANITA SOUTHALL: Can you tell us how
24 Rentcash defines "public interest" in the context of this
25 statement in this submission?

1 MR. GORDON REYKDAL: Well, that there's -
2 - in -- in being sufficient competition it's giving
3 customers lots of options out there, whether it be for
4 price or service, that basically provides you options and
5 really provides a level of -- of, I guess, compet --
6 there's a level of competitiveness out there that really
7 gives those consumers the options.

8 And protects also consumers by having that
9 option to be able to, you know, source and shop for --
10 for whatever they prefer, whether it be a lower rate or a
11 different service. So we feel that's -- that's good for
12 consumers.

13 MS. ANITA SOUTHALL: We know from the --
14 we're -- and we're going to come back to the Rentcash
15 proposal in a little while -- but we know from that most
16 recent proposal which was provided during the course of
17 this hearing that Rentcash is now making a submission to
18 the Board in respect of a -- a lender fee of 37.5 percent
19 per hundred (100), and I think that's a plus. And -- and
20 I think regulatory fees may be added on to that.

21 I'm not holding you to that cause we'll
22 look at the document, but I'm -- am I close on that?

23 MR. GORDON REYKDAL: That's correct, yes.

24 MS. ANITA SOUTHALL: At one point in time
25 in your initial submission, I believe that Rentcash's

1 position was that the Board should examine the
2 competitive market and potentially forebear from any form
3 of fee setting. Is that correct?

4 MR. GORDON REYKDAL: Yes, only in the
5 context that it should not eliminate competition by
6 having something too low that would cause that to happen.

7 MS. ANITA SOUTHALL: There seems to me to
8 be an indication in the materials that Rentcash's
9 original submission was that because of the state of the
10 competitive market there was an option available to the
11 Public Utilities Board to forebear entirely from fee
12 setting. Am I setting that out correctly?

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

14 MS. ANITA SOUTHALL: But -- and -- the
15 reason I mention the -- the proposal that's been provided
16 in the course of hearing is to understand if Rentcash's
17 position has changed in that respect.

18 MR. GORDON REYKDAL: I -- I don't think
19 our position has changed, but we want to -- we've been
20 asked to put forward a proposal with respect to what we
21 would see as a -- a reasonable rate for allow -- to allow
22 for competitive marketplace to, you know, basically
23 survive in the province. I think that is more a Board
24 decision, but we want to make sure that we're, you know,
25 we're basically putting both -- both positions forward

1 with respect to that.

2 But our -- our initial position hasn't
3 changed. I mean, we do believe that there's a comp --
4 there's significant -- or pardon me, sufficient comp --
5 competitors in marketplace. Then -- I mean, that's a
6 usually a good indicator there that I mean rates usually
7 take care of themselves and usually provide the best form
8 of -- of consumer protection through good competition.

9

10 (BRIEF PAUSE)

11

12 MS. ANITA SOUTHALL: Still on page 3.
13 Either one of the panel members, at the bottom of that
14 page there is a bullet identified in bold as "Consumers
15 Best Served by Striking a Balance." Do you see that?

16 MR. GORDON REYKDAL: Yes, I do.

17 MS. ANITA SOUTHALL: In the last two (2)
18 lines, the -- sorry, I'll -- I'll read the entire section
19 just so it has context.

20 The statement begins on line 35:

21 "In this proceeding the Board must
22 ensure a reasonable balance between
23 the parties to the industry, consumers,
24 and payday lenders by both ensuring
25 consumer protection from excessive

1 rates and ensuring continued access to
2 the industry for consumers."

3 Have I read that correctly, sir?

4 MR. GORDON REYKDAL: Yes.

5 MS. ANITA SOUTHALL: And when you say
6 "ensuring consumer protection from excessive rates,"
7 could you just elaborate on what's meant by that?

8 MR. GORDON REYKDAL: Basically,
9 protecting consumers really from a standpoint of -- of
10 maybe the extreme rates in the marketplace is what we're
11 referring to as "excessive rates."

12 MS. ANITA SOUTHALL: Dr. Clinton, through
13 Rentcash's counsel yesterday, introduced a -- a document
14 entitled "Recommendation for Payday Loan Fee" we've
15 marked as RC-12. It had a table attached to it with Dr.
16 -- what I understand to be a data that Dr. Clinton
17 assembled, including his own data generated and other
18 sources. And I see that your counsel is putting that
19 before you now.

20 In this context of excessive or extreme
21 rates, Dr. Clinton indicated that his understanding of
22 that was the amounts that exceeded thirty-five dollars
23 (\$35), and they're highlighted in yellow on the document
24 in that chart, he would consider to be excessive or
25 extreme. Do you adopt that position as well?

1 MR. GORDON REYKDAL: Well, I think from
2 our position overall, I mean, our -- our rates are what
3 our rates are. And with respect to the -- the extreme
4 rates, I mean, there's a lot of -- depending on the
5 individual operator of the business.

6 I mean, as I mentioned earlier about the
7 rolling over of loans, those in our view would be
8 excessive rates because of the actual rate being charged
9 for the initial loan. That would be our view from a
10 standpoint of being -- one of the excessive examples.

11 MS. ANITA SOUTHALL: I'm not sure I
12 understood the answer in respect of the question I posed.

13 Are -- are you able to look at this table
14 and identify what you consider to be excessive --

15 MR. GORDON REYKDAL: I -- I was --

16 MS. ANITA SOUTHALL: -- within the
17 context that --

18 MR. GORDON REYKDAL: Yeah.

19 MS. ANITA SOUTHALL: -- Rentcash has put
20 forward in its submission?

21 MR. GORDON REYKDAL: I would go up to his
22 chart, he's got fees ranging from thirty-nine (39) to
23 forty-one (41) to forty-five (45) to forty-nine (49),
24 fifty-one (51), fifty-five (55), up to fifty-nine (59)
25 would be those rates that I would deem excessive.

1 MS. NANCY BLAND: When we look at this
2 table we proposed a thirty-seven fifty (37.50) based, not
3 on this, because this is the first time we've seen this
4 prior to being submitted, but it looks like a great
5 table.

6 Our only, I guess, caveat we would put on
7 that is these are based on information that have some
8 concerns whether it's accurate or not. And so that was
9 part of why our thirty-seven fifty (37.50) was -- was put
10 in and we still stand by that rate.

11 MS. ANITA SOUTHALL: And, really, all I'm
12 trying to determine is if, fundamentally, if Rentcash's
13 position today is that something above thirty-seven fifty
14 (37.50) per hundred (100) and -- and added on to that
15 some amount of regulatory fee, for the sake of argument,
16 a dollar to three (\$3) dollars, something above that, so
17 something in the range of over 40 percent would be
18 considered excessive?

19 MR. GORDON REYKDAL: That's correct.

20 MS. ANITA SOUTHALL: Could you turn to
21 page 4, please, of your original evidence filing. There
22 is a statement under the heading beginning at line, I
23 believe it's line 9, the -- the bold bullet item is
24 "Continued viability of payday lenders and industry" and
25 the statement is:

1 "In implementing regulations that would
2 allow payday lenders to charge rates of
3 interest over 60 percent per annum, the
4 Government of Manitoba has acknowledged
5 that payday loans are a necessary
6 component of the financial service
7 industry."

8 Do you see that?

9 MR. GORDON REYKDAL: Yes.

10 MS. ANITA SOUTHALL: Can you tell me what
11 regulation is being referred to in this statement?

12 MR. GORDON REYKDAL: Would be referred to
13 in implementing regulations in the Province of Manitoba
14 for the payday advance industry.

15 MS. ANITA SOUTHALL: So it's the -- and
16 Mr. Hacaault, I'm not sure if you need to assist on this,
17 but the legislation in Manitoba is the Consumer
18 Protection Act Payday Loan Amendment and accompanying
19 Payday Loan Regulation. Is that -- I'm not asking you to
20 be lawyers, but I'm -- I'm just trying to understand the
21 -- the nature of this statement.

22 MR. ANTOINE HACAULT: There's two (2)
23 things: Firstly, the document that was put before you
24 was a submission by counsel and I -- subject to getting
25 different instructions, the submission that I put with 35

1 -- or 37.5 percent included the estimate of the company
2 with respect to --

3 MR. GORDON REYKDAL: Mm-hm.

4 MR. ANTOINE HACAULT: -- the regulatory--

5 MR. GORDON REYKDAL: Correct.

6 MR. ANTOINE HACAULT: -- costs. You'll
7 see there's a footnote at the bottom of page 2 of the
8 proposal --

9 MR. GORDON REYKDAL: Mm-hm.

10 MR. ANTOINE HACAULT: -- that says that
11 the estimated cost of licensing and bonding ranges from
12 seventy (70¢) per hundred to two eighty-two (2.82) per
13 hundred. So that nowhere in that initial proposal did it
14 say thirty-seven point five (37.5) plus the regulatory
15 cost.

16 It's -- we -- there's a range of
17 regulatory costs that have been estimated and as a result
18 of that the thirty-seven point five (37.5) includes that
19 regulatory cost.

20 So that's the first clarification because
21 it was a submission that I had put in front of the Board.

22 The second part with respect to the
23 regulations was your second question on page 4 of the
24 Rentcash submission.

25 The regulations would be the regulations

1 under the Consumer Protection Act and my understanding of
2 the legislation is once those are implemented, there
3 would be nothing preventing this Board from saying you
4 could charge 80 percent because the Criminal Code Section
5 no longer applies once you have a licensing system and a
6 regulatory system in the province.

7 MS. ANITA SOUTHALL: Thank you for that
8 clarification. I -- I was attempting to discern whether
9 or not there was some other regulation which, you know,
10 has already implemented some higher rate of interest
11 that's applicable.

12 In other words, I think, Mr. Hacaault, from
13 what you're -- you've now explained, as a result of
14 whatever order issues from this Board, there may be some
15 annual rate of interest that exceeds 60 percent to the --
16 to the extent that the Board determines that that's fair
17 and reasonable.

18 MR. ANTOINE HACAULT: That's correct.
19 It's a legal submission and -- and -- but the Board
20 certainly has a flexibility of putting a higher interest
21 rate or following a number of different models on how
22 it's going to set out a formula that has to be put in
23 these posters and -- and all the disclosure.

24 So if -- if it decides to accept what
25 seems to be more or less unanimous, the 60 percent or 59

1 percent, that would be the rate. But nothing would
2 prevent it from saying, Well, listen, we've listened to
3 Assistive and Assistive says they can't as a lender make
4 a go of it at 60 percent. They'd need more than that.

5 So -- well, to reflect that lenders can't
6 even make it at 60 percent, the Board may decide to put a
7 higher amount. I don't know.

8 MS. ANITA SOUTHALL: And I'm -- I'm
9 attempting to understand this -- pardon me, the context
10 of the second part of the sentence.

11 In other words, we -- we agree that it
12 will be for the Board to determine by order what the
13 appropriate maximum fee schedule or tariff is, correct?

14 MR. ANTOINE HACAULT: The legislation
15 reads for itself. But the Board has been directed in the
16 amendments to set maximum rates.

17

18 (BRIEF PAUSE)

19

20 MS. ANITA SOUTHALL: Pardon me for that.

21 Again -- and, Mr. Hacaault, I'm not sure
22 and I'm -- I'm not attempting to have you give evidence
23 for Rentcash but I'm trying to understand the -- the
24 nature of the submission.

25 In other words, the conclusion that the

1 Government of Manitoba has acknowledged that payday loans
2 are necessary component of the financial service
3 industry. How does that -- how does that arise from the
4 first part of the statement?

5 I mean, is the -- is the argument that's
6 being adva -- I'm just trying to understand the position.
7 Is the argument that's being advanced that by virtue of
8 the regulation there's some implicit acknowledgement that
9 the -- the second part of this sentence necessarily
10 follows?

11 MR. ANTOINE HACAULT: I think we're
12 probably getting hung up on semantics because, for
13 example, Rentcash has a model which I think courts would
14 acknowledge being compliant with the Criminal Code.

15 The broker fees are not interest. There
16 are separate lenders that charge interest. And under the
17 Criminal Code, those lenders are at a maximum of that.
18 Now the governments have said we're going to open it up
19 generally because we don't want to have any impediments
20 to people conducting business whatever way they want.
21 Whether it be a broker model, whether it be the model
22 that's been adopted by Money Mart, which I'm sure they
23 also say is compliant.

24 In a very general way, you've seen the
25 Minister's letter that been writing to the Senate

1 acknowledging that. I think it's a fair interpretation -
2 - at least it's my submission; I'm not giving evidence
3 on this -- that he sees there's a role for these lending
4 institutions to play.

5 And that if you don't have it, they may go
6 to the seedier places of town where you don't have all
7 the compliance. You don't have the opportunity to do the
8 inspections which the -- which the consumer bureau will
9 be doing.

10 MS. ANITA SOUTHALL: Thank you, I -- I
11 was. I appreciate that, Mr. Hacaault. Again, my
12 apologies. I wasn't intending to have you necessarily
13 give evidence, but I was trying to understand the
14 position that's being put forward.

15 And -- and just to clarify and, Mr.
16 Hacaault, I think you were also right at the start of --
17 of trying to clarify the point on the 37.5 percent
18 proposal. I think you probably did indicate -- and if I
19 missed it, I'm sorry -- that the 37.5 percent includes a
20 -- a regulatory cost? It's inclusive of that?

21 MR. ANTOINE HACAULT: That's correct.

22

23 CONTINUED BY MS. ANITA SOUTHALL:

24 MS. ANITA SOUTHALL: Thank you very much.
25 If I could ask the panel members then the witnesses to

1 look to the -- about the middle of the page on page 4 of
2 the Rentcash evidence filing. And it would be starting
3 at line 23. There is a statement:

4 "In addition using a broker model
5 Rentcash already has and uses tools to
6 pursue the lowest cost source of
7 capital for its customers."

8 Do you see that?

9 MR. GORDON REYKDAL: Yes, I do.

10 MS. ANITA SOUTHALL: Could you please
11 just elaborate on what's meant by that.

12 MR. GORDON REYKDAL: We -- the company
13 continually looks to attract new lenders that will,
14 basically, have lower expectations on their returns,
15 i.e., providing a -- a lower cost of capital ultimately
16 that the customers would be able to realize on.

17 So it's -- it's a point of we're, you
18 know, looking for continuous lenders all the time that
19 have lower expectations for returns that basically
20 benefits -- benefits the consumer in the long run.

21 MS. ANITA SOUTHALL: And as you told me
22 earlier today though, currently, the -- the lender pool
23 for Rentcash charges 59 percent --

24 MR. GORDON REYKDAL: That's --

25 MS. ANITA SOUTHALL: -- per annum.

1 MR. GORDON REYKDAL: -- that's correct.

2 MS. ANITA SOUTHALL: So your attempt to
3 find capital would be something below that, I take it, to
4 try to keep your costs down?

5 MR. GORDON REYKDAL: Most certainly, yes.

6

7 (BRIEF PAUSE)

8

9 MS. ANITA SOUTHALL: Thank you. If you
10 could, please now look at on page 4 of your evidence
11 filing, lines 28 to 30. There is a statement by
12 Rentcash:

13 "Customers are given a wide range of
14 options ranging from lower cost
15 services to higher quality services and
16 products."

17 Do you see that?

18 MR. GORDON REYKDAL: Yes, I do.

19 MS. ANITA SOUTHALL: Is that a reference
20 -- I take it that's a reference to what Rentcash believes
21 is -- is already available in the marketplace in
22 Manitoba, generally?

23 MR. GORDON REYKDAL: That's correct.

24 MS. ANITA SOUTHALL: And where does
25 Rentcash fall in the spectrum of lower cost services to

1 higher quality services and products?

2 MR. GORDON REYKDAL: Okay, lower cost
3 services primarily relates to the cheque cashing
4 offerings we provide to the customers is 50 percent off
5 our major competitors in the marketplace, that's
6 additional products and services.

7 And the higher quality services and
8 products relates to the, well, not only the environment
9 that we provide for the consumers, but the -- through our
10 product offerings and the way we manage, and work with
11 our customers with respect to the collections and
12 repayments or loans.

13 But, you know, we're -- we have a -- our
14 customers are -- have good relationships with our
15 associates and by not having the barriers in our
16 operations, i.e., the glass between our customers and our
17 associates, it provides for a better relationship, and we
18 believe a higher quality service.

19 MS. ANITA SOUTHALL: And thank you for
20 that. That's sort of a different answer than I expected
21 and -- and here's what I'm going to go back to.

22 When I read this line, I took this to mean
23 that there is a -- a spectrum of service offerings for
24 the payday loan product itself in the marketplace in
25 Manitoba, so if I misread it, I apologize.

1 But, just on my question, which remains, I
2 understand from the evidence, even that's been presented
3 to date, that there are lower cost payday loan product
4 service offerings in the current market and higher
5 quality, potentially higher price products.

6 And I think, Mr. Reykdal, you might have
7 even addressed this in your oral evidence --

8 MR. GORDON REYKDAL: Mm-hm.

9 MS. ANITA SOUTHALL: -- today, but where
10 would Rentcash --

11 MR. GORDON REYKDAL: Oh.

12 MS. ANITA SOUTHALL: -- fall sort of on
13 the spectrum?

14 MR. GORDON REYKDAL: Well, I see. To
15 better answer your question, I'm sorry, I misunderstood
16 what you were asking really, but with respect to, I mean,
17 Rentcash most certainly is not the cheapest in the
18 marketplace, we're not the most expensive, but we would -
19 - I would consider ourselves fairly well in the middle of
20 -- middle of the -- the overall spectrum as far as
21 pricing.

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: If you could turn to

1 page 5 then of your first evidence filing. Beginning at
2 line 13, in terms of potential consequences of unduly low
3 rate caps in Manitoba, there's a statement:

4 "If the outcome of the Board's process
5 is increased incentives for some of
6 these operators,"

7 -- and I guess we'll have to look back above to see who
8 "these operators" are --

9 "to invent new unfortunate business
10 practices outside of the express
11 jurisdiction of the Board, the goals of
12 consumer protection may, in the end, be
13 undermined rather than enhanced."

14 And it may be -- you may be referencing
15 back to cross-subsidization referred to in the same
16 paragraph above. I'm not sure. But, nevertheless, if
17 you could just explain what's being indicated there as a
18 -- as a potential harm that may occur in the -- in the
19 market or to consumers, please.

20 MR. GORDON REYKDAL: The most significant
21 does related to the paragraph prior on the cross-
22 subsidization of the rolling over of loans.

23 MS. ANITA SOUTHALL: Thank you. And
24 further down that page at line 25, there is a bullet
25 identified as "Optional services included in the cost of

1 credit definition" and the statement that:

2 "It is the position of Rentcash that
3 optional services included in the cost
4 of credit, such as cash card fees,
5 should be dealt with as a separate
6 component pursuant to Section 164.3 of
7 the Act."

8 Do you see that?

9 MR. GORDON REYKDAL: Yes, I do.

10 MS. ANITA SOUTHALL: And does that remain
11 your position today?

12 MR. GORDON REYKDAL: Yes, it does.

13

14 (BRIEF PAUSE)

15

16 MS. ANITA SOUTHALL: Beginning at page 7
17 is the section of your pre-filed evidence called "What
18 are payday loans," but if I could turn you to page 8, and
19 the bullet starting at line 10 on page 8 indicates:

20 "The ability to obtain short-term
21 liquidity to meet immediate obligations
22 enables customers to maintain a healthy
23 credit history and strong credit
24 ratings."

25 Do you see that, sir?

1 MR. GORDON REYKDAL: Yes, I do.

2 MS. ANITA SOUTHALL: Are you indicating
3 that you indirectly help to support borrowers' credit?

4 MR. GORDON REYKDAL: Well, yes. And what
5 -- what this point really speaks to is, for example, if a
6 customer had a cheque clearing their account; it could be
7 for maybe we'll call it utilities or whatever it may be,
8 and they were able to obtain the short-term loan to stop
9 that cheque from bouncing because the, you know, the
10 utility company would report to the credit bureau, plus
11 the bank would report to the credit bureau upon an NSF
12 cheque occurring, which would have a negative impact on
13 the consumer.

14 So it does definitely help maintain, at
15 minimum, their credit standing.

16 MS. ANITA SOUTHALL: And there is no, I
17 take it, direct credit reporting of any kind associated -
18 - at least in the Canadian marketplace -- associated with
19 the payday loan industry.

20 In other words, you wouldn't report to
21 credit bureaus and this -- this borrowing that may occur
22 through payday loan outlets isn't tracked to credit
23 rating bureaus?

24 MR. GORDON REYKDAL: It's not tracked to
25 credit rating bureaus specific, but we do provide

1 customers with letters of reference that request them to
2 -- if they're trying to, you know, obtain credit, we
3 certainly provide history for To Whomever It May Concern
4 on their behalf. We provide that information they
5 request.

6 MS. ANITA SOUTHALL: And -- and what
7 would that -- what would contained in that letter? Just
8 as a -- if you could just give us a brief description.

9 MR. GORDON REYKDAL: It would be a letter
10 describing the history with the company and, basically,
11 providing them -- providing whomever the requested
12 information be sent to, you know, their credit worthiness
13 and their payments; they've made the payments on time,
14 the -- the amount of the loan that they would have and
15 everything else. You know, all the -- all the relevant
16 credit information that would be meaningful to a -- to a
17 potential borrower -- or lender, pardon me, sorry.

18 MS. ANITA SOUTHALL: Dr. Clinton told us
19 yesterday in his testimony that persons may be concerned
20 with -- persons who are borrowing from payday lenders may
21 be concerned, for example, with an employer finding out
22 that they had actually borrowed from a payday lender.

23 I'm not sure if you're aware that he gave
24 that testimony. Have you heard that?

25 MR. GORDON REYKDAL: No I -- I've -- I've

1 not. I didn't get a chance to review his testimony. No,
2 I did not hear that.

3 MS. ANITA SOUTHALL: I just wondered if -
4 - if you had obtained any such anecdotal information, and
5 what you would attribute -- I'll use the term "stigma" --
6 of using --

7 MR. GORDON REYKDAL: Yep.

8 MS. ANITA SOUTHALL: -- a payday lender,
9 what -- what you would attribute that stigma to?

10 In other words, why would a payday loan
11 customer need to keep hidden or private the fact that
12 they were accessing that information, and why would they
13 run such a risk?

14 MR. GORDON REYKDAL: I can't really speak
15 to that for certain, but I guess, really, it's -- it
16 would boil down to what that customer's personal
17 information was and whether he wanted it disclosed or not
18 would be, you know; it just would be more of a personal -
19 - people may -- may or may not want other people to know
20 and, namely, I guess, their employer or their -- could be
21 their spouse, could be whomever. I don't know, yeah.

22 MS. ANITA SOUTHALL: Now if I could ask
23 you to turn to Tab 56, please, which is Rentcash's
24 response to a PUB Information Request, PUB-RC-1-A1.

25 MR. GORDON REYKDAL: Mm hm.

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: With respect to the
4 concept of the -- the Board's request to -- for Rentcash
5 to -- to advise us to what an appropriate rate of return
6 may be for the industry, Rentcash has responded that --
7 sorry, I'm just going to find the specific reference.

8 MR. GORDON REYKDAL: Okay.

9 MS. ANITA SOUTHALL: Pardon me.

10

11 (BRIEF PAUSE)

12

13 MS. ANITA SOUTHALL: Thank you. It's
14 actually at the start of the answer which is on page 2 of
15 7 in that tab.

16 MR. GORDON REYKDAL: Okay.

17 MS. ANITA SOUTHALL: And it's -- it's the
18 response to sub (a) and begins at line 18.

19 "The Board need not calculate an
20 appropriate rate of return for the
21 industry."

22 Sorry, are -- are you able to find where
23 I'm talking about?

24 MR. GORDON REYKDAL: Yes, I am.

25 MS. ANITA SOUTHALL: Thank you.

1 "In the event the Board sought to
2 perform such a calculation, it would
3 not be possible to make any meaningful
4 or fair determination in this regard."

5 Do you see that?

6 MR. GORDON REYKDAL: Yes, I do.

7 MS. ANITA SOUTHALL: And if you could
8 just elaborate, and feel free to reference the remainder
9 of the response here if -- if that's -- if that's easier
10 for you.

11 But trying to understand -- I think it
12 relates to the concept that a Public Utilities model
13 should not be applied in the circumstance, given the
14 competition in the market.

15 But I -- I don't want to limit you to that
16 answer necessarily if -- if you want to elaborate
17 further.

18 MR. GORDON REYKDAL: I think that --
19 that's an adequate response.

20 MS. ANITA SOUTHALL: I'm asking the
21 questions and giving the answers.

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: The option for --

1 "emergency" [in quotation marks, and
2 then brackets] (such as tow trucks or
3 ambulance)."

4 Do you see that?

5 MR. GORDON REYKDAL: Yes, I do.

6 MS. ANITA SOUTHALL: Could you just
7 explain what's meant by that statement?

8 MS. NANCY BLAND: This would have fallen
9 under what our evidence with Kevin Clinton would have
10 presented, but what we are talking about there is where
11 governments are allowed to -- or not governments -- but
12 service providers are allowed to charge whatever they
13 want.

14 And when it's in an emergency, such as an
15 ambulance service, it's -- the cust -- the consumer
16 doesn't have a chance to shop or doesn't have a chance to
17 do adequate research to determine if that's a viable
18 price or to get someone else in. They have to go with
19 the first-come-first-serve.

20 So I -- I believe that was our statement
21 there.

22 MS. ANITA SOUTHALL: My recollection is
23 that -- and feel free to double check -- my recollection
24 is that in the Pollara survey by CPLA they identified the
25 reason why consumers take out payday loans. I believe it

1 was 35 percent, attributed -- attribute it to some sort
2 of financial emergency; an -- an emergency where they --
3 they needed to meet necessities. I can refer you to the
4 Pollara document, if you want, but I'm -- have you -- I
5 see Nancy nodding her head.

6 Could you just confirm that?

7 MS. NANCY BLAND: Yes, we -- yes, we
8 confirm that.

9 MS. ANITA SOUTHALL: Based on your survey
10 information in the past, either the Bannister survey or -
11 - or any other information you've sourced from your
12 customers, is -- is that approximately accurate, or is
13 there some higher or lower percentage who would identify
14 the need as an emergency need for finances or some sort
15 of immediate need?

16 MR. GORDON REYKDAL: I believe that would
17 be consistent with one -- one distinct difference, though
18 with respect to what's being referred to here in
19 emergency situation -- situation where they're limited
20 with respect to their options.

21 That's not a -- a similar to what we're
22 referring to in our business. In our industry the
23 customers do have options and choices, not unlike a sit -
24 - this -- unlike a situation like this where they're
25 limited. This is, you know, you're going in an

1 ambulance, I mean, your -- whatever they charge is your,
2 the -- the charge is what it is.

3 Our customers are provided with the option
4 of being able to shop and, again, as I mentioned earlier,
5 about the two largest competitions in the marketplace
6 offering the right to rescind, we believe gives customers
7 a excellent choice -- an excellent choice out in the
8 marketplace that they feel that they've done something
9 that, Hey ,I can get it cheaper over here, I like that
10 service better.

11 They can unwind their -- their other --
12 the original loan at no cost. So it's somewhat different
13 than what I think -- I think what you're referring to
14 there.

15

16 (BRIEF PAUSE)

17

18 MS. ANITA SOUTHALL: At page 3 of 7,
19 again this continues on in respect of the answer as to
20 the difficulties on the Board setting the rate on the
21 basis of cost to operate as I understand the response.
22 At line 20, there is a statement at -- pardon me, it's
23 under the heading "Cost to Operate," at line 20
24 Rentcash's response includes the statement:

25 "There is a multitude of firms offering

1 payday loans in Manitoba, many of which
2 operate in multiple provinces and/or
3 over the internet."

4 And then -- sorry, I'll finish the
5 paragraph:

6 "Some of these firms are international,
7 some publicly traded and some small
8 private operators where payday loans
9 may be a minority of the product mix,
10 example, pawn shops. It would be
11 extremely difficult to collect an
12 meaningfully test the costs of every
13 applicant (including their cost
14 allocations methodology to each
15 province internet service)."

16 Have I captured that accurately?

17 MR. GORDON REYKDAL: Yes.

18 MS. ANITA SOUTHALL: And what
19 specifically is the implication of that from Rentcash's
20 point of view in terms of why the Board should not look
21 at cost to operate as a -- as an indicator of what the
22 maximum rate ought to be?

23 MR. GORDON REYKDAL: What -- I think in
24 determining what that cost would be, because of the
25 variety of different companies offering their products

1 and what other possibilities of any cross-subsidization
2 that may occur, breaking down and determining what that
3 cost would actually be I think would be a difficult task
4 to do so.

5 MS. ANITA SOUTHALL: At line 35 of the
6 same page, page 3 of 7 of this response, there is a
7 statement:

8 "A major cost to operate payday loan
9 outlets is the default rate. Different
10 operators currently accept differing
11 customer profiles for offering loans
12 and as a result choose the respective
13 level of risk they are willing to bear
14 at the prices they are able to charge."

15 Do you see that?

16 MR. GORDON REYKDAL: Yes, I do.

17 MS. ANITA SOUTHALL: Can Rentcash please
18 explain what this differing level of risk is that's being
19 indicated there?

20 In other words, in your operation are you
21 offering or taking on a higher level of risk than other
22 payday lenders are prepared to take on, and as a result
23 of that the rate of return needs to be greater?

24 MR. GORDON REYKDAL: Well, we think that,
25 I mean, the lender criteria that's set out for -- from

1 lenders to the customers for Rentcash may differ from
2 other lenders in the industry. But at the end of the day
3 what we look at is, I mean, what is the default rate and
4 what's been the experience of our lenders.

5 And so that would imply, I believe, would
6 imply that there's a different risk attached to that
7 consumer than what other lenders are possibly taking.

8 I mean, our process is, I think we're, you
9 know, from a standpoint of the -- of the collection and
10 everything else, and even if it goes to third-party
11 collections, we understand are very similar to what's
12 being, you know, being achieved in the marketplace.

13 So we think that there's obviously got to
14 be something just there by way of a different risk
15 tolerance which, the net result is what actually the
16 losses are after recoveries, and that number is coming
17 out, like, between 5 and 6 percent.

18 MS. NANCY BLAND: Just to add to that,
19 even within Rentcash's current experience, we have two
20 (2) separate products: We have the signature loan and
21 our payday loan --

22 MR. GORDON REYKDAL: Mm-hm.

23 MS. NANCY BLAND: -- and we see a
24 different risk profile just within those and have to
25 charge two (2) different prices for those two (2)

1 products. So even looking not outside the industry, we
2 know within our own client base there is two (2) separate
3 populations with different risk levels that we have to
4 charge different prices for.

5 MS. ANITA SOUTHALL: I'm going to come
6 back to the -- the level of risk in just a moment but,
7 Ms. Bland, I just wanted to zero in on your response on
8 the signature loan product.

9 Have -- have you identified any factors
10 that contribute to that being a higher risk? And -- and
11 I'm going to just add a comment to that if I could. It -
12 - it's hard to comprehend if someone is showing up on a
13 fixed income or a monthly income -- I think Mr. Hacault
14 mentioned teachers receiving pay monthly, for example, --
15 if they're showing that they've got a pay stub and that
16 they're capable of supporting the loan advance, what
17 would necessarily put them into a higher risk category in
18 terms of -- in terms of default as compared to your
19 payday loan product? So if there are factors you could
20 elaborate on, that would be of assistance?

21 MS. NANCY BLAND: There are several
22 factors in that one. One (1) of the ones that we've
23 definitely anecdotally believe is that given the
24 lengthier time there's less contact with that customer
25 over thirty (30) days as opposed to twelve (12) and

1 circumstances change more significantly within a thirty
2 (30) day period versus a twelve (12) day period.

3 And so that has been our experiences that
4 the longer the loan, the less the contact and the greater
5 risk of default.

6

7 (BRIEF PAUSE)

8

9 MS. ANITA SOUTHALL: Thank you. Could
10 you just -- would you have data available to identify
11 what the difference is in the default rate between the
12 signature loans as compared to the payday loan product?

13 MR. ANTOINE HACAULT: I'm not too sure
14 the client should maybe consider whether or not that
15 might be sensitive information. They may have it. I'm
16 not so sure whether or not that's sensitive information.
17 They'll have to consider that.

18 MR. GORDON REYKDAL: Yeah. I think I
19 would sort of view that as being -- being competitive
20 information. I mean, I know that there's not a lot of
21 companies in the marketplace that do provide that product
22 and although the -- the numbers which we talk about we
23 know are higher but -- but providing the exact number I
24 don't think would be beneficial to our -- our company to
25 have that information disclosed.

1 (BRIEF PAUSE)

2

3 CONTINUED BY MS. ANITA SOUTHALL:

4 MS. ANITA SOUTHALL: Can you tell us if
5 the difference in the 20 percent brokerage fee to the 23
6 percent brokerage fee is the indicator of the difference
7 in default?

8 MR. GORDON REYKDAL: Pretty good
9 calculation, yeah.

10 MS. ANITA SOUTHALL: Mr. Cathcart gets
11 full credit for that one.

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: I want to come back
16 as I mentioned I would to that concept of differing
17 levels of risk.

18 I have, to be frank, been searching for
19 evidence of that assertion which has been made a number
20 of times in submissions so far in this Hearing.

21 I take it, though, from what you've said
22 that you're not offering a significantly different -- at
23 least up front -- you're not attempting to take on a
24 significantly different risk and yet your default rates
25 are such that you've come to the conclusion that you must

1 be taking on some higher level of risk. If I'm
2 oversimplifying, please say so.

3 MR. GORDON REYKDAL: Well, I think
4 there's some things that -- that the -- the lenders have
5 the broader appetite, I'll call it, for customers. For
6 example, some lenders will not re-borrow to customers if
7 they have ever defaulted on loans.

8 That is not the situation with the
9 Rentcash lenders. They will indeed do that because, you
10 know, circumstances change with the consumers. They may,
11 you know, get back on their feet. Things may have
12 happened but, you know, there is -- there is that
13 distinct difference in the marketplace.

14

15 (BRIEF PAUSE)

16

17 MS. ANITA SOUTHALL: Could you turn to
18 page 4 of this same document, please? So it's page 4 of
19 7?

20

21 (BRIEF PAUSE)

22

23 MS. ANITA SOUTHALL: At line 10 under the
24 heading, "Cost for Capital Including Return" there is a
25 statement:

1 "Different payday loan firms are
2 expected to have materially different
3 capitalization reflecting their unique
4 circumstances."

5 Do you see that?

6 MR. GORDON REYKDAL: Yes, I do.

7 MS. ANITA SOUTHALL: And there -- there
8 is a further statement in that paragraph but it's
9 accurate that some payday lenders operating in Canada
10 have access to long-term debt availability to support
11 their actual lending operations?

12 MR. GORDON REYKDAL: If you're referring
13 to, like, long-term bank debt, I would -- I -- I don't
14 know if you could use that broad -- that broad of a term.

15

16 (BRIEF PAUSE)

17

18 MS. ANITA SOUTHALL: The -- the
19 descriptors that -- that may apply are long-term --
20 pardon me, term loans and lines of credit with financial
21 institutions. That -- that's -- that's what I was
22 attempting to describe by my reference to -- to debt
23 financing.

24 MR. GORDON REYKDAL: To my understanding,
25 I -- I and I can just -- can speak I guess more

1 specifically with respect to our current -- our current
2 bank that we use in which basically for depositing and
3 transaction basis banking.

4 They themselves would not even loan into
5 the industry per se not only specifically to Rentcash,
6 ever for -- whether it be leasehold improvements, whether
7 it be anything from a operating perspective.

8 And they most definitely would not loan
9 into the industry if a company was a direct lender; they
10 would not provide any revolving facility or term facility
11 whatsoever.

12 And that's -- that's -- I can speak
13 specifically about the CIBC bank. So I think it would be
14 fairly limited that companies would be able to obtain
15 operating lines of credits or long term debt even if they
16 were to secure ties it with cash, it would be fairly
17 limited.

18 And that's just broadly speaking and I'm
19 only speaking from experience mainly with the CIBC and
20 I've dealt with the most senior executives in Western
21 Canada with respect to that so...

22 THE CHAIRPERSON: Is that due to the
23 current regulatory risk?

24 MR. GORDON REYKDAL: That regulatory and
25 legal risk. Because they don't want to indirectly become

1 a lender because, you know, it could be, you know, they
2 could be potentially attacked by, you know, by class
3 action lawyers and whatever else so that's -- that's the
4 main reason.

5

6 CONTINUED BY MS. ANITA SOUTHALL:

7 MS. ANITA SOUTHALL: And then we have the
8 lender model that Rentcash uses in the -- in the broker
9 operation as -- as a source of the capital funds for
10 lending, correct?

11 MR. GORDON REYKDAL: That's correct.

12 MS. ANITA SOUTHALL: And we've talked
13 earlier today about Assistive Financial being one of the
14 sources of lending capital for Rentcash in Manitoba?

15 MR. GORDON REYKDAL: That's correct for
16 Rentcash customers, yes, yes.

17 MS. ANITA SOUTHALL: I've included a -- a
18 document at Tab 62 of the reference materials.

19

20 (BRIEF PAUSE)

21

22 MS. ANITA SOUTHALL: They -- the -- the
23 document is referenced in the annual report for Rentcash,
24 I believe you're aware.

25 MR. GORDON REYKDAL: That's correct.

1 MS. ANITA SOUTHALL: And the context of -
2 - of this particular reasons for judgment in the Supreme
3 Court of British Columbia as associated with an ongoing
4 class action as I understand it in British Columbia, is
5 that right?

6 MR. GORDON REYKDAL: That's correct.

7 MS. ANITA SOUTHALL: By the way I don't
8 intend to get into the nature of the class action --

9 MR. GORDON REYKDAL: No details.

10 MS. ANITA SOUTHALL: -- unless you're
11 interested.

12 MR. GORDON REYKDAL: No.

13 MS. ANITA SOUTHALL: I'm -- no, I'm -- I
14 apologize. I wasn't trying to be flippant, but it's not
15 my intention to take you through the course of this
16 action in BC.

17 MR. GORDON REYKDAL: No problem. Fully -
18 - fully aware of it, though, trust me.

19 MS. ANITA SOUTHALL: Yeah. Though the
20 reason I did include it is because the nature of the
21 application appears to be an attempt by the class action
22 plaintiffs in that action to add a number of the third
23 party lenders as defendants in that action is that -- I
24 know it's very brief, but is that an accurate summary of
25 what was going on here?

1 MR. GORDON REYKDAL: That's correct.

2 MS. ANITA SOUTHALL: The -- the legal
3 proceedings reference I was mentioning in the annual
4 report is shown in Rentcash 2007 annual report at note
5 14, contingencies under subsection (a) Legal Proceedings.

6 I don't intend to take you there but just
7 for the record.

8 MR. GORDON REYKDAL: I'm familiar with
9 the note.

10

11 (BRIEF PAUSE)

12

13 MS. ANITA SOUTHALL: So just in terms of
14 the parties identified in the document, and because they
15 may be of assistance in terms of -- of identifying the
16 roles of the various parties who -- who may be lenders
17 through Rentcash in Manitoba, I note that in the British
18 Columbia action that All Trans Credit Union, Ltd. and
19 Card Capital, Inc. are already defendants in the action.
20 Correct?

21 MR. GORDON REYKDAL: That's correct.

22 MS. ANITA SOUTHALL: And All Trans Credit
23 Union, Ltd. as you've explained earlier today has a role
24 in the advance of funds to payday loan borrowers for the
25 debit and credit card transactions?

1 MR. GORDON REYKDAL: Yeah, they -- they
2 are the owner of the -- of the card, and then Direct Cash
3 does the facilitating and switching of the -- of all the
4 transactions and handles the -- all the transactions.

5 MS. ANITA SOUTHALL: They -- they are the
6 infrastructure that facilitates the transaction?

7 MR. GORDON REYKDAL: Direct Cash is,
8 correct.

9 MS. ANITA SOUTHALL: And -- and Card
10 Capital, Inc. I think you referred to earlier today as
11 well. Could you just remind us what role they play.

12 MR. GORDON REYKDAL: They are the --
13 well, they're a subsidiary of Direct -- well now Direct
14 Bank Income Fund, and they facilitate all of the -- the
15 switching of the transfers of the funds and facilitate
16 all the -- basically all the transactions for the -- for
17 the cards.

18 MS. ANITA SOUTHALL: So that's part of
19 the infrastructure, not part of the actual lending?

20 MR. GORDON REYKDAL: Correct.

21 MS. ANITA SOUTHALL: And we have a series
22 of -- of companies named and the key to why I draw your
23 attention to the document we have a number of companies
24 identified, and I just want to be able to go through
25 these companies that are identified in that decision and

1 attempt to determine who are lenders to Rentcash in terms
2 of the Manitoba operations if I could.

3 MR. GORDON REYKDAL: Okay.

4 MS. ANITA SOUTHALL: So 367463 Alberta,
5 Ltd. I preface this -- you obviously weren't prepared
6 necessarily for these questions, so if -- if --

7 MR. GORDON REYKDAL: Yeah, I.

8 MS. ANITA SOUTHALL: -- you need to
9 review this.

10 MR. GORDON REYKDAL: -- I would have to
11 review -- there's -- I believe there's three (3) lenders
12 that operate in the Province of Manitoba. I would have
13 to confirm which three (3) lenders those are. I can get
14 back to you on that one though.

15

16 (BRIEF PAUSE)

17

18 MS. ANITA SOUTHALL: For the -- for the
19 identified lenders that are part of the capital pool for
20 Manitoba currently, would it be possible for you to
21 identify if you have access to it the -- the corporate
22 structure of those lenders and the shareholders of those
23 lenders, that level of information.

24 MR. GORDON REYKDAL: I don't know for
25 certain, whether we can do that. But if I -- if I think

1 maybe I can answer, maybe -- I'm -- your question maybe
 2 in another manner. Being a public company and going
 3 through our audits every quarter -- every year end
 4 there's -- there's a -- the auditors confirm not only by
 5 the lenders, but by the corporation that they're all arms
 6 and length lenders to the company where there's no
 7 ownership of management, or directors, or officers of
 8 Rentcash that are involved in the lending pool.

9 So, and that's part of our audit
 10 performance and not only they -- they do and can per --
 11 perform other functions during their audit, but that's
 12 part of the practice before the auditors sign off on
 13 their year-end statements, so.

14 MS. ANITA SOUTHALL: You may appreciate
 15 that since this is the first attempt to regulate this
 16 industry in Manitoba, that the Board is attempting to
 17 gather information in terms of how the whole process
 18 works and -- and who at least at the current time may be
 19 involved in the process of lending monies to payday
 20 borrowers.

21 And that was the nature of the question.
 22 Not -- not, to be honest, to be directed to arm's length,
 23 but rather what the source of the capital is, who is
 24 actually involved in lending money to Manitoban's
 25 currently.

1 MR. GORDON REYKDAL: Okay. I mean, I can
2 -- we -- we can certainly get the detail of the
3 information, but they're -- the majority of the lenders
4 are comprised of a -- a large network of high net worth
5 individuals. Some companies like Assistive are being
6 managed by an individual.

7 But in total the lending pools would
8 represent well in excess of four hundred (400)
9 individuals that provide the funds to the Rentcash
10 customers.

11 So it's a very broad -- broad base and we
12 have five (5) total lenders in the company overall, are
13 major ones that provide the funds to all of the customers
14 across Canada.

15 MR. ANTOINE HACAULT: Does that
16 information suffice? The -- the response he's given?

17 MS. ANITA SOUTHALL: No, no. I -- I'm
18 still asking for the details associated with the specific
19 lenders that are lending in Manitoba currently.

20 MR. ANTOINE HACAULT: Okay. We'll -- I
21 think we can provide you with the names of the companies
22 and the other things we'll have to take under advisement
23 because I know for example Mr. Schiffner who appeared
24 with Assistive indicated that some of the private
25 investors were just that

1 They were private and they have
2 confidentiality issues. They wouldn't want their names
3 to be part of the public record. So we'll try to be as
4 helpful as we can.

5
6 --- UNDERTAKING NO. 65: For Mr. Reykdal to provide
7 details associated with the
8 specific lenders that are
9 lending in Manitoba
10 currently. (Taken under
11 advisement)

12
13 MS. ANITA SOUTHALL: The -- sorry, Mr.
14 Hacault. Thank you for that. It remains a request so if
15 -- if you could let us know. I understand what you've
16 described on the record but to the extent it's possible,
17 we would like that information.

18 MR. ANTOINE HACAULT: Well -- well we've
19 understood the request and we'll provide you with a
20 response.

21
22 CONTINUED BY MS. ANITA SOUTHALL:

23 MS. ANITA SOUTHALL: So the corporate
24 lenders that are listed in the British Columbia judgment,
25 do those constitute all of the lenders that at this point

1 in time contribute capital for Rentcash outlets in
2 Canada?

3 MR. GORDON REYKDAL: I'm not -- let's
4 see. I think that where they gather their information
5 from are just -- I think whomever, wherever is my -- is
6 my thoughts of what they -- whether they are current
7 lenders or not at that time. I don't even believe that
8 was the case so.

9
10 (BRIEF PAUSE)

11
12 MS. ANITA SOUTHALL: If you could turn
13 please to Tab 63 in the materials. I -- I note at first
14 that with respect to the chart information provided in
15 the -- in the first round of responses, there was certain
16 information omitted from the Nova Scotia details for
17 debit and credit cards. Are you aware of that?

18 MR. GORDON REYKDAL: Yes, I am.

19 MS. ANITA SOUTHALL: And was that as a
20 result of things changing in Nova Scotia or was there
21 some other explanation for that omission?

22 MR. GORDON REYKDAL: That's -- that was
23 part of -- we are licensed in the Province of Nova
24 Scotia --

25 MS. NANCY BLAND: That was an accident.

1 It was actually just dropped from the text. It was
2 originally supposed to be in there.

3 MS. ANITA SOUTHALL: Okay, thank you for
4 explaining that.

5

6 (BRIEF PAUSE)

7

8 MS. ANITA SOUTHALL: Sorry, Mr. Reykdal,
9 were you mentioning something about licensing in Nova
10 Scotia. I -- I -- do you mean that going through the
11 regulatory process in Nova Scotia or do you mean
12 something else?

13 MR. GORDON REYKDAL: No. I -- just in
14 the Province of Nova Scotia there -- you have to be
15 licensed to operate in that province. And we are, same
16 as Saskatchewan and New Brunswick.

17 MS. ANITA SOUTHALL: So if we could then
18 just review the information you've provided and I'm going
19 to ask you to look now to the second chart, which is
20 attachment A2 PUB/RC-2-7 which is the, also found at tab
21 63.

22 So if we could, please review the Manitoba
23 fees. And I take it this is -- this is current?

24 MR. GORDON REYKDAL: Yes.

25 MS. ANITA SOUTHALL: So under "Fees for

1 Initial Sign Up" you include the 20 percent brokerage fee
2 as -- as you've depicted it in the -- in the mathematical
3 calculation for us today.

4 MR. GORDON REYKDAL: That's correct.

5 MS. ANITA SOUTHALL: And 23 percent for
6 the signature loan, which is the longer the thirty-one
7 (31) day product.

8 MR. GORDON REYKDAL: That's correct.

9 MS. ANITA SOUTHALL: And then you have
10 the interest rate charged annualized shown at 59 percent.

11 MR. GORDON REYKDAL: That's correct.

12 MS. ANITA SOUTHALL: Currently the fees
13 for acquiring and loading debit cards is shown as --
14 pardon me -- first to indicate that under the column
15 required you indicate no and you identify that as
16 optional?

17 MR. GORDON REYKDAL: That's correct.

18 MS. ANITA SOUTHALL: And then under "Rate
19 or Amount" the sum of eight dollars (\$8) is shown,
20 correct?

21 MR. GORDON REYKDAL: That's correct.

22 MS. ANITA SOUTHALL: The four dollars and
23 fifty cents (\$4.50) for the loading debit card fee is not
24 depicted here on the chart. Is that correct?

25 MS. NANCY BLAND: That would be under --

1 that would be under the transaction fees for debit cards
2 consideration, and so it would be included in there.

3 MS. ANITA SOUTHALL: So just following
4 down on that for a moment and skipping over credit cards
5 under transaction fees for debit cards under required
6 there's an indication of no which means it's optional,
7 correct?

8 MS. NANCY BLAND: Yep, if they choose the
9 credit -- or the debit card is an optional product so the
10 transaction fees would be optional as well.

11 MS. ANITA SOUTHALL: And under rate or
12 amount provide detail where applicable--the statement is
13 made not controlled by Rentcash, controlled by banks and
14 ATM owners, correct?

15 MS. NANCY BLAND: That's correct.

16 MS. ANITA SOUTHALL: And if I could then
17 just jump back for a moment under "Fees for Acquiring and
18 Loading Credit Cards," again under "Required for
19 Manitoba," you've indicated, "No, it's optional."

20 Is that right?

21 MS. NANCY BLAND: That's correct. And
22 the rate or amount is identified for the credit card as
23 fourteen ninety-five (14.95) which is consistent with the
24 evidence you've given us earlier today, correct?

25 MS. NANCY BLAND: That's correct.

1 MS. ANITA SOUTHALL: The monthly balance
2 amount isn't included in this chart anywhere.

3 MS. NANCY BLAND: Again, that would be
4 the transaction fees for the credit card. We considered
5 it under those.

6 MS. ANITA SOUTHALL: If we could then
7 look to the fee details in comparison to Nova Scotia for
8 a moment, under "Fees for Initial Sign Up" we have "no"
9 under required yes or no -- in other words is -- is it
10 optional? I'm not sure what the answer is intended to
11 reflect.

12 MS. NANCY BLAND: Where are you
13 referencing, sorry?

14 MS. ANITA SOUTHALL: I apologize. I've
15 moved to the next series of columns for Nova Scotia, in
16 the middle of Appendix A and under -- if you go across
17 from "Fees for Initial Sign Up" for Nova Scotia, it
18 appears to indicate no there -- there is no requirement
19 for initial sign up.

20 MR. GORDON REYKDAL: That's correct,
21 yeah. That's correct.

22 MS. ANITA SOUTHALL: But in the "Rate or
23 Amount" section for Nova Scotia there's an indication of
24 25 percent default fee collected at time of loan payment
25 at the request of the Province of Nova Scotia.

1 Can you explain how that works?

2 MR. GORDON REYKDAL: The -- at the
3 province's request, you know, as part of the licensing
4 structure they had in place -- quite frank, this is the
5 only way they would license the company to operate, is if
6 we adhered to this type of model. It was not our
7 preference or our choice, but that's the only way, quite
8 frankly, we would of got licensed in the province.

9

10 (BRIEF PAUSE)

11

12 MS. ANITA SOUTHALL: It would be useful
13 for us then if you could provide for us the calculation
14 that's been provided in your proposal in Table A for the
15 hundred dollar (\$100) loan, twelve (12) days to payday
16 series of models in terms of how that current fee
17 structure operates in Nova Scotia.

18 MR. GORDON REYKDAL: Okay, we will do.

19

20 --- UNDERTAKING NO. 66: Rentcash to provide the
21 calculation provided in their
22 proposal in Table A for the
23 hundred dollar (\$100) loan,
24 twelve (12) days to payday
25 series of models in terms of

1 how that current fee
2 structure operates in Nova
3 Scotia.

4

5 CONTINUED BY MS. ANITA SOUTHALL:

6 MS. ANITA SOUTHALL: So at present there
7 is no broker fee charged in Nova Scotia?

8 MR. GORDON REYKDAL: No, there's not.

9 MS. ANITA SOUTHALL: The interest -- the
10 interest rate charged by the lenders is the same?

11 MR. GORDON REYKDAL: That's correct.

12 MS. ANITA SOUTHALL: Then when we get to
13 "Fees for Acquiring and Loading Debit Cards" in Nova
14 Scotia there's a two dollars and fifty cent (\$2.50) load
15 fee only in accordance with this appendix, correct?

16 MR. GORDON REYKDAL: That's correct.

17 MS. ANITA SOUTHALL: And why is there a
18 difference between Manitoba and Nova Scotia on that
19 amount?

20 MR. GORDON REYKDAL: Again, that is all
21 part of the licensing, it's their structure that they
22 have part of their licensing.

23 MS. ANITA SOUTHALL: I'm just trying to
24 get an understanding of what the two dollars and fifty
25 cents (\$2.50) load fee is representative of.

1 Is -- is that what you're allowed to
2 charge to customers to supply them with a debit card or a
3 credit card? Or is that -- when you use the term "load
4 fee," is it indicative of something else?

5 MR. GORDON REYKDAL: No, it's just
6 actually the two fifty (2.50) charges for the -- the
7 customers having the advance limit set on their cards.
8 There's a two fifty (2.50) charge that is on that card by
9 -- by Direct Cash. It's not direct for us.

10 MS. ANITA SOUTHALL: Are you allowed to
11 charge anything for supplying the debit card or credit
12 card in Nova Scotia?

13 MR. GORDON REYKDAL: No on a payday
14 advance but on cheque cashing, yes.

15 MS. ANITA SOUTHALL: So currently with
16 respect to payday loans, Nova Scotia doesn't allow you to
17 charge to supply a debit card or to supply a credit card?

18 MR. GORDON REYKDAL: No, they -- they
19 allow us to but they limit the charge with respect to it.
20 They don't allow us to charge for the purchase of the
21 card for the customer.

22 MS. ANITA SOUTHALL: So the two fifty
23 (2.50) load fee, if we were trying to compare it to
24 Manitoba, actually applies to the transaction fees for
25 credit cards a part of the appendix?

1 MR. GORDON REYKDAL: That's correct.

2 MS. ANITA SOUTHALL: Is that a more fair
3 comparability?

4 MR. GORDON REYKDAL: That's correct, yes.

5 MS. ANITA SOUTHALL: If you could assist
6 then in taking us through how the rest of it works,
7 because you'll notice that in the table you've identified
8 under "Transaction Fees for Debit Cards," you've got the
9 same, which I understood to be the same as Manitoba.

10 I take it it isn't but could you -- could
11 you maybe just clarify what's meant by the balance of the
12 -- of the appendix, where you're indicating it's the same
13 as Manitoba?

14 MR. GORDON REYKDAL: Well the customers
15 have the choice also too of receiving a cheque from the
16 lender, similar to Manitoba, so all the fees, if they do
17 not accept or do not want the cheque, would be optional
18 for the customer.

19

20 (BRIEF PAUSE)

21

22 MS. NANCY BLAND: We'd like to clarify
23 this table in that to make it apples to apples between
24 Manitoba and Nova Scotia, the two fifty (2.50) load fee
25 shouldn't have appeared on here, it should have said "not

1 applicable" in those two (2) cells.

2 And then it should have been same down
3 below because it is the same as in Manitoba where the
4 customer determines through counselling, et cetera, what
5 transaction fees they may incur, and -- and we wouldn't
6 know that based on which ATMs they use, et cetera.

7

8 (BRIEF PAUSE)

9

10 MS. ANITA SOUTHALL: Is there a
11 comparability between the two fifty (2.50) in Nova Scotia
12 and the four fifty (4.50) in Manitoba?

13 MS. NANCY BLAND: There is in that the
14 two fifty (2.50) is the initial load fee, and then the
15 extra two dollars (\$2) is counselling for potential
16 future transaction fees.

17 And so this table is confusing, we'll
18 admit that.

19 MS. ANITA SOUTHALL: And who -- who -- in
20 the case of Nova Scotia, who gets the two dollars and
21 fifty cents (\$2.50)? Like where does that revenue go?

22 MR. GORDON REYKDAL: That does to Direct
23 Cash.

24 MS. ANITA SOUTHALL: And in -- in terms
25 of the four fifty (4.50) in Manitoba where does the four

1 fifty (4.50) go?

2 MR. GORDON REYKDAL: That goes to the ATM
3 providers or whoever's operating the -- the POS but
4 that's all through Direct Cash is the processor of it but
5 the end recipient would be -- could be a white label ATM
6 machine.

7 It could be whomever it may be that's
8 actually processing the transaction.

9 MS. NANCY BLAND: The first two fifty
10 (2.50) goes to Direct Cash, similar to that in Nova
11 Scotia.

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: Ms. Bland, you
16 indicated a moment ago that out of the four fifty (4.50)
17 there is a two dollar (\$2) charge associated with
18 counselling for -- I'm not sure what -- what phraseology
19 you used.

20 MS. NANCY BLAND: Sorry, that was
21 misleading. The two dollars (\$2) is for transaction fees
22 related to putting the money in their account, taking it
23 out of their accounts, using it at different POS
24 machines, ABMs, those sort of things.

25 So depending whether they take it out all

1 in one (1) lump sum or if they're going to use it two (2)
2 or three (3) times depends on what our store customer
3 service reps will help them determine they need to add to
4 their loan in order to -- to take into those -- to
5 account those charges.

6 THE CHAIRPERSON: While they are
7 consulting with each other, I think we will take the
8 afternoon break right now. We will come back in fifteen
9 (15) minutes, thank you.

10 MS. ANITA SOUTHALL: Thank you.

11

12 --- Upon recessing at 2:45 p.m.

13 --- Upon recessing at 3:05 p.m.

14

15 THE CHAIRPERSON: Okay, Ms. Southall...?

16 MR. ANTOINE HACAULT: Mr. Chairman, I
17 have an initial comment once Board counsel is ready.

18 THE CHAIRPERSON: She is indicating that
19 she is.

20 MS. ANITA SOUTHALL: Thank you, Mr.
21 Hacault, yes.

22 MR. ANTOINE HACAULT: Part of counsel's
23 questioning of these witnesses was more less in the
24 nature of a legal argument, and I had allowed the
25 questioning to continue.

1 But it was with respect to 74.1 of the
2 Public Utilities Board Act, which says that the Board
3 could forebear where there -- if it found there was
4 enough competition to protect the public interest. That
5 piece of legislation was enacted first.

6 Secondly, there was a specific direction
7 and amendment in the legislation by the government
8 directing this Board to set maximum rates.

9 The legal submission, which is made in
10 this paper, relates to our suggestion that given that the
11 overall mandate of the Public Utilities Board and its
12 general direction, that it should be mindful of this
13 general direction which has always existed in its primary
14 legislation, that it should be slow to interfere where
15 there's sufficient competition to -- to protect the
16 public interest.

17 And in considering its functions under
18 this amended legislation, which gives a specific
19 direction to impose a maximum, it should nonetheless be
20 mindful of the general direction that's given in the
21 primary legislation not to interfere more than it should
22 if there's competition.

23 So it's not saying that in this specific
24 instance you have to ignore the new legislation. That's
25 not the position. The position in applying your

1 functions under the new legislation be mindful of the
2 direction that has always been given to this Board under
3 the primary legislation.

4 THE CHAIRPERSON: Thank you, sir. Okay,
5 Ms. Southall.

6

7 CONTINUED BY MS. ANITA SOUTHALL:

8 MS. ANITA SOUTHALL: Thank you, and --
9 and we're turning back to that discussion of the table at
10 Tab 63, and the response to PUB/RC-2-7, Attachment A.

11 The -- and I actually hope to -- to add
12 clarity by asking this question -- the two dollars and
13 fifty cents (\$2.50) load fee in Nova Scotia is the
14 maximum amount that can be loaded on to a credit card or
15 a debit card by the licensing or -- or at least the --
16 the limits of regulation in Nova Scotia at present,
17 correct?

18 MR. GORDON REYKDAL: That's correct.

19 MS. ANITA SOUTHALL: And I'm -- I know
20 you've answered this probably at least twice, but that
21 two dollars and fifty cents (\$2.50) is -- goes to a third
22 party.

23 That's Direct Cash in its entirety?

24 MR. GORDON REYKDAL: That's correct.

25 MS. ANITA SOUTHALL: Now, just sorry --

1 sorry but turning back to the four dollars and fifty
2 cents (\$4.50), what's identified in much of the material
3 that Rentcash has a loading fee.

4 Could you just repeat, if you wouldn't
5 mind, where that four dollars and fifty cents (\$4.50)
6 actually goes.

7 MR. GORDON REYKDAL: Okay, I think it's
8 to provide -- hopefully, provide better clarity around
9 this. The four fifty (4.50) number is for illustration
10 purposes, with respect to what could be loaded on the
11 card.

12 But if -- to put it more simply, I guess,
13 if -- if a customer has the advance limit amount set for
14 a hundred and ten dollars (\$110) on a card, it's
15 basically their money to spend as they deem necessary and
16 what they want.

17 So that's probably the best way to explain
18 how it works. Okay?

19 MS. ANITA SOUTHALL: And if I could for a
20 moment then go back to your Table A from the Rentcash
21 proposal.

22 And again looking at the -- a hundred
23 dollar (\$100) loan for twelve (12) days to payday and
24 looking at the middle column, which is "Card First Time."

25 Do you see that?

1 MR. GORDON REYKDAL: Yes, I see that.

2 MS. ANITA SOUTHALL: So, Mr. Reykdal,
3 just following along your -- your explanation a moment
4 ago where the -- and I know this is again an example --
5 so where the recommended borrowing is one hundred and two
6 dollars and fifty cents (\$102.50), and then where the
7 example shows third-party in-store card load fees of four
8 dollars and fifty cents (\$4.50).

9 Is that consistent with your explanation
10 that the borrower would have a hundred and seven dollars
11 (\$107) loaded on their card to do with what they want?

12 MR. GORDON REYKDAL: It would be a
13 hundred and seven dollars (\$107). They would be charged
14 their two fifty (2.50) for the -- for the load. That
15 would be an expense. The balance would be theirs to
16 spend as they see necessary as -- as they see fit.

17 So the -- any -- any monies -- like that
18 number the four fifty (4.50) that's illustrated in this
19 demonstration here -- could quite easily be a twenty
20 dollars (\$20), hypothetically, and that number again
21 would theirs to seem -- to -- to spend as they see deem
22 fit.

23 MS. ANITA SOUTHALL: So let me step back
24 then to the first part of your answer which is, did you
25 say, the two dollar and fifty cents (\$2.50) was somehow

1 distinct there?

2 MR. GORDON REYKDAL: That -- that -- the
3 -- the two fifty -- two dollar and fifty cents (\$2.50) is
4 the -- where am I at here, sorry -- yeah, that's the fee
5 -- the -- the load fee of two dollars and fifty cents
6 (\$2.50), which is a -- a cost to the customer.

7 That is separate and distinct than the
8 other transaction related costs for the usage of the
9 card.

10 MS. ANITA SOUTHALL: So that doesn't
11 represent two dollars and fifty cents (\$2.50) extra on
12 their card. In other words, they wouldn't walk out with
13 a debt card that has a hundred two fifty (102.50) on it
14 that's accessible?

15 MR. GORDON REYKDAL: No, they would be --
16 they're -- they would net -- they -- they would have
17 their hundred dollars (\$100), correct.

18 MS. ANITA SOUTHALL: And where does that
19 two dollars and fifty cents (\$2.50) go?

20 MR. GORDON REYKDAL: That goes to Direct
21 Cash.

22 MS. ANITA SOUTHALL: And is there any
23 portion of that that's recovered by Rentcash under
24 agreement or?

25 MR. GORDON REYKDAL: The company gets a -

1 - a small commission on some of the -- of those monies.

2 MS. ANITA SOUTHALL: And are you able to
3 tell us what that is?

4 MR. GORDON REYKDAL: Not -- we're under a
5 confidentiality agreement with -- with Direct Cash also
6 and -- and aren't able to disclose that information.

7 MS. ANITA SOUTHALL: Does it appear part
8 of your revenues?

9 MR. GORDON REYKDAL: Yes, it does. It's
10 in all of our revenues, correct.

11 MS. ANITA SOUTHALL: And where would we
12 find it in terms of an entry in your financial
13 statements?

14 MR. GORDON REYKDAL: "Other Revenues" on
15 our financial statements.

16 MS. ANITA SOUTHALL: Are there any other
17 revenues under "Other Revenues"?

18 MR. GORDON REYKDAL: There are. There
19 are actually as illustrated in the -- well, going back to
20 the Roth presentation, which I think we spent some time
21 on it, covers all of our Western Union cheque cashing.
22 Every service we provide other than the payday advance
23 are covered under "Other Revenue."

24 MS. ANITA SOUTHALL: Thank you.

25

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: So Rentcash receives
4 -- and I appreciate you're not in a position to disclose
5 the actual amount but Rentcash receives a commission on -
6 - on what is a standard fee of two dollars and fifty
7 cents (\$2.50) to actually load the debit card?

8 It gets a commission from Direct Cash for
9 every one of those transactions where borrowers at a
10 Rentcash outlet use that product. Is that right?

11 MR. GORDON REYKDAL: That's correct.

12 MS. ANITA SOUTHALL: And does Rentcash
13 also receive some sort of commission from the additional
14 amount loaded which in this example is identified as four
15 dollars and fifty cents (\$4.50)?

16 Is there -- is there some commission if a
17 Direct Cash outlet is used in future for other
18 transactional purposes? Is there a commission structure
19 for that?

20 MR. GORDON REYKDAL: There -- there is,
21 and I'll put emphasis on "small."

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: Is there going to be

1 a charge for the electronic funds transfer when that
2 becomes available in 2008?

3 MR. GORDON REYKDAL: No, there will not
4 be any charge to the customer for that. It'll be a
5 product delivered similar to that of the cheque.

6 MS. ANITA SOUTHALL: Do you anticipate
7 that -- then that your other revenue from these other
8 commissions may be decreased as a result of that option
9 being available to your customers?

10 MR. GORDON REYKDAL: I don't know that
11 for sure. It'll be the customer's option if they decide
12 -- whatever they decide to go with so...

13

14 (BRIEF PAUSE)

15

16 MS. ANITA SOUTHALL: I had understood and
17 perhaps now I -- incorrectly that if there was a need to
18 reload the debit card with some future advance that there
19 would be a charge associated with that.

20 Could you just explain whether or not in
21 fact there is -- I know that they don't pay the eight
22 dollars (\$8) again but is there some charge -- is it
23 again two fifty (2.50) at some future point in time if a
24 customer wishes to have more advanced monies reloaded on
25 the existing debit card?

1 MR. GORDON REYKDAL: Yes, they do get
2 charged an additional two fifty (2.50).

3 MS. ANITA SOUTHALL: And it would operate
4 the same way as we discussed a few moments ago in terms
5 of the funds going to Direct Cash and commission going
6 back to Rentcash?

7 MR. GORDON REYKDAL: This is correct.

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: And can you explain
12 the process with credit cards? What -- does Rentcash
13 receive some sort of commission for offering that
14 Mastercard at fourteen ninety-five (14.95) and then the
15 seven ninety-five (7.95) monthly fee?

16 Is some portion of that paid back to
17 Rentcash?

18 MR. GORDON REYKDAL: Yes, some portion is
19 also.

20 MS. ANITA SOUTHALL: And you're unable to
21 tell us which portion I -- or what amount, I take it?

22 MR. GORDON REYKDAL: That's correct.

23 MS. ANITA SOUTHALL: So then if you could
24 look at Table A again, please, under the first column,
25 "One-Hundred (\$100) Dollar Loan, Twelve (12) Days to

1 Payday."

2 Are there any fees that are charged by
3 Rentcash or capable of being charged by Rentcash which
4 are not depicted in the examples, including the example
5 for cheque, for card first time, and then the card
6 subsequent?

7 Or is every kind of fee that's possibly
8 chargeable included there?

9 MR. GORDON REYKDAL: No, there would be
10 additional, if the customer had NSF fees, those are
11 something that the company can charge. and also there's
12 the optional -- other optional programs, including the
13 insurance, that are not in here.

14 MS. ANITA SOUTHALL: The NSF charge, is
15 that the default fee you've been describing of -- which
16 was -- which was recently changed to twenty-five (\$25)
17 dollars?

18 MR. GORDON REYKDAL: That's correct.

19 MS. ANITA SOUTHALL: That the person
20 wouldn't have to include that on their cheque amount
21 though, given that it's considered only if the person is
22 in default?

23 MR. GORDON REYKDAL: That is correct.

24 MS. ANITA SOUTHALL: If the borrower
25 wished the optional insurance product, they would pay

1 2.5 percent of what amount?

2 MR. GORDON REYKDAL: Of the loan amount
3 that's owed to the lender, total principal amount.

4 MS. ANITA SOUTHALL: So could we just
5 take the cheque example. If the -- I'm assuming this is
6 Item 9, value given, total to be repaid, a hundred and
7 twenty-seven dollars and forty-two cents (\$127.42).

8 Would the 2.5 percent of optional
9 insurance be payable on that amount?

10

11 (BRIEF PAUSE)

12

13 MR. GORDON REYKDAL: The amount that
14 would be covered would be the total principal amount
15 owed, which would be the one twenty-five (125).

16 MS. ANITA SOUTHALL: Is it possible for
17 Rentcash to provide us with the APR calculation for the
18 example shown for "One Hundred (\$100) Dollars, Twelve
19 (12) Days to Payday," for card first-time column and card
20 subsequent, which includes the purchase of card and third
21 party in-store card load feeds -- fees, pardon me?

22 MR. GORDON REYKDAL: What -- what
23 assumptions would you want us to use on the load fees?
24 We can use whatever assumption you would like.

25 MS. ANITA SOUTHALL: The -- the existing

1 assumption you've made --

2 MR. GORDON REYKDAL: The four-fifty
3 (4.50), okay.

4 MS. ANITA SOUTHALL: -- which is four-
5 fifty (4.50).

6 MR. GORDON REYKDAL: Okay.

7 MS. ANITA SOUTHALL: Is that the average
8 amount that people ask to have loaded?

9 MR. GORDON REYKDAL: It's -- yes, it's
10 fairly typical, I mean, but some that would only use a
11 POS would only have a -- would have a smaller amount, but
12 some may just have a number that could be well -- well
13 and above that but, you know, just the average cost of an
14 ATM if they were to pull three (3) times at a dollar
15 fifty (\$1.50) per transaction, that's fairly normal with
16 -- with customers would -- would anticipate.

17 MS. ANITA SOUTHALL: Could you also do
18 that calculation -- you know, you'll tell me if you can't
19 for any reason by the way? It's not a requirement.
20 You're a voluntary participant, so I want to make that
21 clear, that -- that calculation for -- sorry, no, it
22 would be, pardon me, it wouldn't be...

23 If -- if you could, sorry, do that
24 calculation for the first section, "A Hundred (\$100)
25 Dollar Loan, Twelve (12) Days to Payday," for the -- the

1 two (2) -- second and third columns, "Card First Time"
2 and "Card Subsequent," which excludes the Item 4, the
3 third party in-store card load fees.

4 In other words, if you took the four fifty
5 (4.50) off each of those columns and could calculate what
6 the APR would be, please.

7 MS. NANCY BLAND: We'll recalculate that
8 whole table using that methodology.

9 MS. ANITA SOUTHALL: Thank you. And if -
10 - if after all of that you didn't understand what I was
11 even asking just see me afterwards.

12

13 --- UNDERTAKING NO. 67: Rentcash to do a calculation
14 for the first section, "A
15 Hundred (\$100) Dollar Loan,
16 Twelve (12) Days to Payday,"
17 for the second and third
18 columns, "Card First Time"
19 and "Card Subsequent," which
20 excludes Item 4, the third
21 party in-store card load
22 fees.

23

24 MR. GORDON REYKDAL: Yeah. And I also
25 want to make just one point of clarity with respect to

1 the APR. And the APR percentages were calculated -- that
2 are calculated here are strictly for illustration
3 purposes only.

4

5 CONTINUED BY MS. ANITA SOUTHALL:

6 MS. ANITA SOUTHALL: I don't understand
7 that answer, sir.

8 MR. GORDON REYKDAL: With respect to our
9 -- our structure, our fees are not -- our broker fees are
10 not calculated or combined with the interest charged by
11 the lender.

12 And in this calculation that demonstrates
13 or illustrates, I guess, better -- better terminology --
14 or better wording -- that that indeed is the case.

15 But from a legal perspective our fees are
16 separate and distinct of that by the lender. So we're
17 doing this for illustration purposes only.

18 MS. ANITA SOUTHALL: I understand you're
19 not regulated yet in Manitoba. No, I accept what you've
20 said, sir. And I appreciate that, but that's what we
21 would be seeking in the -- for the course of this
22 proceeding.

23

24 (BRIEF PAUSE)

25

1 MS. ANITA SOUTHALL: Could I please take
2 you to Tab 64? And this quite frankly, I think, takes us
3 also into the Rentcash proposal itself. So if -- if you
4 want to refer to the Rentcash proposal in terms of the
5 fee structure and your position with respect to the
6 components of fees, I -- I want to invite you to do that
7 if you wish.

8 At page 2 of 8 in the Information Request
9 response to the PUB's request regarding fee structure --
10 and again, Mr. Hacault, may feel the need to -- to jump
11 in and address this point -- but there is a -- a legal
12 position set out beginning at line 7 of the answer which
13 is on page 2 of 8.

14 Could you just, for the record, indicate
15 what's intended to be -- what point is intended to be
16 made in terms of the definition of cost of credit, and
17 what fees are to be in connection with the credit
18 agreement?

19 MR. ANTOINE HACAULT: That is a legal
20 submission, and there's in my respectful view two (2)
21 ways to interpret this legislation.

22 The first one which we've put out is that
23 some -- the way the legislation is set up, and the way
24 the definitions are set up, you can have a value received
25 for a third party service. So that if I buy an ice cream

1 cone, I'm getting the ice cream. I'm paying for it.

2 Well, if I go and I buy a card or a pay a
3 -- a fee to a bank at an ATM, I'm getting that service
4 for the ATM service. The bank machine doesn't know
5 whether it's a payday loan customer, whether it's me
6 without a payday loan. I'm charged that transaction fee
7 independently of that, and I'm getting presumably value
8 for that transaction.

9 Now the way the legislation is set up it
10 says value with respect to the credit agreement. Well,
11 the -- my legal submission is that if you go to an ATM
12 and you're charged a two fifty dollar (\$2.50) transaction
13 fee, that really isn't in relation to the credit
14 agreement, because that service is provided to you
15 irrespective of whether you're a payday loan customer or
16 not.

17 That's a legal submission or -- or
18 presentation. And I've also put in there, and I'm sorry
19 if I'm getting ahead -- this is not really evidence, the
20 question that I raised - and I'll be dealing with further
21 in my submission - is when you have a bank providing a
22 service, is it really part of this Board's duty to start
23 -- to try and regulate the two fifty (2.50) that's being
24 charged by the bank which you'll be charged whether or
25 not you're a payday loan customer? My submission is that

1 it is not.

2 That having been said, if you look at our
3 proposal and the table that's put in that, and that's
4 part of my submission, it still gets added in all the
5 disclosure, because the inter -- the legislation can be
6 interpreted in a way where the amounts to get disclosed
7 even though they aren't amounts related to the credit
8 agreement.

9 And if you want your customers to know,
10 okay, well, I'm paying A, B, C with respect to potential
11 bank charges, there's still a way I think to interpret
12 the legislation to protect the consumer so that the
13 disclosure occurs but that when it's being regulated,
14 you're regulating the matters that relate to the credit
15 agreement and not to independent, third-party bank
16 charges and optional charges.

17 So there -- these are legal positions
18 which I don't think are aptly spoken to by the witnesses
19 and are really not matters of evidence.

20 I've been asked the question by counsel
21 for the Board. And I don't know if it helps the Board to
22 have a little bit of an idea of what might be happening
23 at the end of the day, but hopefully that's helped the
24 Board understand a little bit of why we're also saying if
25 the Board is going to venture into saying that the two-

1 fifty (2.50) charge by the bank when you go to an ATM is
2 a regulated amount, the banks already are under federal
3 legislation -- regulated.

4 There is a system there, and from a legal
5 perspective there's an issues as to whether when
6 something's regulated federally whether provinces can
7 interfere at all in that regulation -- period.

8 And that's why I -- I invited in this
9 submission if the Board is going to deal with that issue
10 at all that it be dealt with separately, because if there
11 might be a legal challenge at a later date on the legal
12 issue, it would be nice to have those items dealt with
13 totally separately if the Board gets into that and to
14 segregate issues which it knows has no legal question
15 marks on it dealt with in a separate part. So then all
16 the industry can go forward on the undisputed areas of
17 jurisdiction.

18 And if there is a disputed area of
19 jurisdiction that the Board's going to get into, let's
20 deal with that separately so it doesn't affect the way it
21 gets implemented.

22 THE CHAIRPERSON: Thank you, sir. We are
23 not there yet but it is helpful to understand your
24 perspective on that. Okay, Ms. Southall.

25 MS. ANITA SOUTHALL: Thank you.

1

2 CONTINUED BY MS. ANITA SOUTHALL:

3 MS. ANITA SOUTHALL: So looking at just
4 below that at -- still on page 2 of 8 of this response to
5 the panelists, there are components that Rentcash
6 indicates should form part of the fee structure
7 determination.

8 And three (3) factors which the Board
9 should be cognizant of first of all are identified at
10 line 25 as core fees. Is that right?

11 MR. GORDON REYKDAL: Correct.

12 MS. ANITA SOUTHALL: And Rentcash says
13 that these are fees that are required and considered
14 central to providing a payday loan and they would include
15 broker fees, interest, and cheque cashing fees.

16 Is that right?

17 MR. GORDON REYKDAL: That's correct.

18 MS. ANITA SOUTHALL: I take it they would
19 also include mandatory insurance products and otherwise
20 non-optional insurance if it's required for the loan?

21 MR. GORDON REYKDAL: Non-optional, yes.

22 MS. ANITA SOUTHALL: Rentcash has no
23 cheque cashing fees associated with its payday loan
24 advance, I take it?

25 MR. GORDON REYKDAL: No, we do not.

1 MS. ANITA SOUTHALL: So you're referring
2 to, for example, Money Mart and their cheque cashing fee
3 structure as part of their payday loan advance?

4 MR. GORDON REYKDAL: More the market in
5 general and -- and which would include Money Mart.

6 MS. ANITA SOUTHALL: Under the next
7 component at line 30 on the same page are optional fees.

8 And Rentcash asserts that these fees are
9 not central to providing a payday loan and include
10 optional services such as insurance. Is that right?

11 MR. GORDON REYKDAL: That's correct.

12 MS. ANITA SOUTHALL: And finally, under
13 the third component suggested by Rentcash are optional
14 card fees. And the assertion is that these fees are
15 arguably included in the cost of credit pursuant to the
16 payday loan regulations, however, inclusion of such fees
17 in the cost of credit would be absurd considering the
18 optional nature of this product at some payday advance
19 providers.

20 It also goes on to say as well as the
21 inability to accurately determine the cost of all such
22 fees pursuant to payday loan transactions.

23 Do you see that?

24 MR. GORDON REYKDAL: Yes, I do.

25 MS. ANITA SOUTHALL: In the Rentcash

1 model currently there is a standard two dollars and fifty
2 cent (\$2.50) load fee charged in every case.

3 Is that right?

4 MR. GORDON REYKDAL: That's correct.

5 MS. ANITA SOUTHALL: Is that from
6 Rentcash's point of view an optional charge?

7 MR. GORDON REYKDAL: It's optional. The
8 charge is only there if the customer elects to receive
9 the card. They can receive the funds by cheque, which is
10 no cost attached to that.

11 And, as I mentioned earlier, we're moving
12 to the electronic funds transfer early in the New Year.
13 That again will give the customer another option. But
14 those are optional for the customer.

15 MS. ANITA SOUTHALL: But it's only
16 optional if you -- it's not optional if you're using the
17 debit card product, correct?

18 MR. GORDON REYKDAL: Yeah, I guess the
19 first decision, correct, would be you want to -- do you
20 want the card or not? And if you -- if you do decide to
21 take the card, there is a cost attached to it, yes.

22 MS. ANITA SOUTHALL: Prior to the credit
23 card being offered in July, was the percentage using
24 debit cards 99 percent?

25 MR. GORDON REYKDAL: Yes, very close to

1 that, yes, correct.

2

3 (BRIEF PAUSE)

4

5 MS. ANITA SOUTHALL: So now I would like
6 to go to the consideration of the -- and we've talked
7 about this I know a fair bit today, but I do want to talk
8 about the cheque option for a few minutes through
9 Rentcash.

10 Rentcash is not set up to actually issue
11 cheques out of its outlets, correct?

12 MR. GORDON REYKDAL: That's correct.

13 MS. ANITA SOUTHALL: And based on
14 Information Request responses that Rentcash has provided
15 to the Board in advance of the Hearing today, we
16 understand that cheques are issued from the city
17 contingent upon the specific lender?

18 MR. GORDON REYKDAL: That's correct.

19 MS. ANITA SOUTHALL: And for Assistive
20 Financial for example where would those cheques issue
21 from?

22 MR. GORDON REYKDAL: From Calgary.

23 MS. ANITA SOUTHALL: So the borrower
24 obtains the loan from Assistive Financial and the cheque
25 is issued from -- by Assistive Financial from Calgary,

1 Alberta. Is that right?

2 MR. GORDON REYKDAL: That's correct.

3 MS. ANITA SOUTHALL: How does it arrive
4 the next day for the borrower?

5 MR. GORDON REYKDAL: By courier.

6 MS. ANITA SOUTHALL: Is there a cost to
7 the borrower for that?

8 MR. GORDON REYKDAL: No, there's not.

9 MS. ANITA SOUTHALL: And where does the
10 cheque actually go to?

11 MR. GORDON REYKDAL: It goes to the store
12 where the customer basically originated the loan from.

13 MS. ANITA SOUTHALL: And the borrower is
14 supposed to come back the next day and pick up the
15 cheque?

16 MR. GORDON REYKDAL: That's correct.

17 MS. ANITA SOUTHALL: They can't cash the
18 cheque at Rentcash, can they?

19 MR. GORDON REYKDAL: No, and this is the
20 reason when we went for the first year of operating where
21 we offered just cheques to -- to customers. Really that
22 was the only, really, option available.

23 This is part of the -- the driver behind
24 having something a little more accessible for the
25 consumers and easier access to the funds, and that's

1 where the -- the cards really -- the card product really
2 developed from.

3 Also in addition, they would go to other -
4 - they would have to go to another -- basically another
5 competitor or another company to cash that cheque to --
6 to obtain the funds and also naturally there was a cost
7 attached to that so...

8

9 (BRIEF PAUSE)

10

11 MS. ANITA SOUTHALL: So in an example
12 where a borrower requests the cheque option and is
13 borrowing money on a Friday, when -- when would they be
14 receiving the funds, on the Saturday or on the following
15 Monday?

16 MR. GORDON REYKDAL: Depending on the
17 time of the day. I mean if it was before -- the request
18 is before 5:00 p.m. they would have it the next day, but
19 other than that it would fall on the next business day,
20 which would be the Monday.

21 MS. ANITA SOUTHALL: The structure, I
22 take it, drives your customers -- and I think the numbers
23 bear it out -- drives them to the debit card and the
24 credit card products. Is that fair?

25 MR. GORDON REYKDAL: I guess really from

1 a standpoint, yeah. I mean the debit card is the
2 preferred option for the customers, not like really
3 anybody else.

4 I mean, I -- with respect to -- the use of
5 debit cards are quite high no matter what in Canada, so I
6 -- I view our customers no differently than anyone else,
7 so -- but that's what really drives it is their demand.

8 MS. ANITA SOUTHALL: The people that come
9 to Rentcash are typically needing cash immediately I take
10 it?

11 MR. GORDON REYKDAL: In most cases about
12 -- as mentioned early in the Pollara study, which would
13 be consistent about 35 percent, need -- need the money
14 immediately, yes.

15 MS. ANITA SOUTHALL: So if they're
16 waiting for a cheque, they're not getting the money
17 immediately. But if they take a debit card or a card
18 option, they -- they can -- they then have facility to be
19 able to access cash immediately I take it.

20 MR. GORDON REYKDAL: Correct, in
21 conjunction with competition they can access from other
22 competitors, the marketplace, not just us.

23 MS. ANITA SOUTHALL: Is -- is does
24 Rentcash view that as a higher level of service? The
25 option to provide the debit card and the credit card?

1 MR. GORDON REYKDAL: We do part in
2 partial with -- the only -- and the way we -- we can do
3 that is -- and not providing cash in our outlets, again,
4 as we have no bulletproof glass nor storefronts that we
5 believe that provides a more comforting atmosphere for
6 our consumers and really believe provides a -- a higher
7 level of service.

8 And -- and again there's attached -- a
9 cost attached to providing that service. But, I mean,
10 quite frankly, customers pay for value. So they -- they
11 deem that valuable, and they pay for it, and recognize it
12 so and appreciate it so.

13 MS. ANITA SOUTHALL: With the -- I
14 believe in the Information Request responses you
15 identified that six (6) Rentcash outlets in Manitoba have
16 ATM machine -- machines on the premises. Is that right?

17 MR. GORDON REYKDAL: I believe that's
18 correct, yes.

19 MS. ANITA SOUTHALL: And those machines
20 hold cash I take it?

21 MR. GORDON REYKDAL: They do, yes.

22 MS. ANITA SOUTHALL: And so if someone
23 got a debit card, they could literally turn around in the
24 store, put the debit card in the machine, and exit the
25 facility with their one (1), or two (2), or three hundred

1 dollars (\$300) of cash?

2 MR. GORDON REYKDAL: That's correct, yes.
3 In those locations, yes.

4

5 (BRIEF PAUSE)

6

7 MS. ANITA SOUTHALL: Are those ATM
8 machines in Rentcash's premises owned by Direct Cash?

9 MR. GORDON REYKDAL: Yes, they are.

10 MS. ANITA SOUTHALL: And does Rentcash
11 receive a commission based on the kind of structure we
12 talked about earlier with respect to the transactions
13 that run through those ATM machines?

14 MR. GORDON REYKDAL: They rent a --
15 whatever the machine occupies, they rent that space off
16 of -- off of Rentcash.

17 MS. ANITA SOUTHALL: So it's not based on
18 a percentage of the transaction fees?

19 MS. NANCY BLAND: Similar to any -- if
20 they use the credit card anywhere -- the transaction fees
21 -- that we do receive a small commission, and that was
22 where Gord was saying, emphasis on the small.

23 MS. ANITA SOUTHALL: But is -- but is --
24 is the rental fee in addition to that transactional
25 commission?

1 MR. GORDON REYKDAL: The -- the rental
2 fee is a -- or the -- the rental fee and the transaction
3 fees are combined in a total calculation as a rental
4 number that is provided for -- for the use of the space.
5 And it's driven off of the transactions.

6 And if the transactions don't meet that
7 number -- so it's a calculation driven off of -- off of
8 the number of transactions to cover the cost for the
9 rental of -- of the space.

10 MS. ANITA SOUTHALL: Thank you for that
11 clarification.

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: I am going to
16 circulate a -- a response to an Information Request that
17 isn't part of the materials -- Mr. -- with Mr. Cathcart's
18 assistance. And this is a response to PUB/RC-2-11.

19 While it's being circulated the question
20 that was posed was:

21 "Please file a sample loan agreement in
22 the format used per Attachment D of the
23 original Rentcash submission for a
24 comparable loan amount to a customer
25 who elects to receive the proceeds of

1 the loan through a debit card or credit
2 card and the optional insurance
3 coverage in each case."

4 And Rentcash has provided a response to
5 this Information Request. So to the witness panel, I
6 take it you have now a copy of that latest response in
7 front of you?

8 MR. GORDON REYKDAL: Yes, I do.

9 MS. ANITA SOUTHALL: And first could we
10 look at the page 1 of 3 of the document, which is the
11 statement of disclosure?

12 And could you just take us through the
13 information that would be disclosed then on a -- on a
14 typical loan for the amount being indicated as advanced
15 here?

16 MR. GORDON REYKDAL: Okay. With respect
17 to the total amount being -- of the advance received, is
18 a hundred and sixty-seven (\$167) dollars, the interest at
19 59 percent per annum calculated, the broker fee paid to
20 the Cash Store of forty-three seventy-five (43.75) and
21 the total cost of credit, which is the loan broker fee
22 that's payable to The Cash Store of the forty-three
23 seventy-five (43.75) plus the interest at 59 percent per
24 annum but of a dollar six (\$1.06), equalling the forty-
25 four eighty-one (44.81).

1 Then there is an additional card fee if
2 applicable, and in this case it was, of eight (\$8)
3 dollars, and then under the loan protection fee, under
4 the payment protection plan, again, if applicable, which
5 was -- which it was of five dollars and fifty cents
6 (\$5.50).

7 So the total amount to be repaid by the
8 customer is the combination of all of the above,
9 equalling two hundred and twenty-five dollars and thirty-
10 one cents (\$225.31).

11 And then it goes on from the standpoint at
12 there, it's talking about the default in payment, the
13 twenty-five (\$25) dollar flat fee, your administrative
14 default fee that would be charged.

15 And then it has the customer's due date of
16 when the loan -- to repay the loan on or before September
17 13th, with the applicable interest, and then providing
18 further disclosure, and going on through where the
19 borrower shall repay the advance again on the due date,
20 and all payments will be applied firstly towards
21 interest, secondly towards principal, and the -- it's
22 telling them the customer they may have the right to --
23 the borrower shall have the right to repay the loan at
24 any time on or before the due date without any prepayment
25 charge or penalty, and shall have the right to make

1 partial payments without a charge or penalty on any
2 scheduled payment date.

3 In the event of early payment the interest
4 will be computed to the date of the actual payment and
5 the Board should have the right to cancel coverage under
6 the PP at any time and will not be charged any extra fee
7 or penalties for such cancellation.

8 And the total cost of credit, expressed as
9 an annual percentage rate of -- which is in paragraph, or
10 pardon me, Paragraph F above, includes the interest
11 charge by the credit grantor and the broker fee charged
12 by the Cash Store.

13 And then it's dated, in this particular
14 disclosure document, September 10th, and it's signed by
15 the borrower.

16 MS. ANITA SOUTHALL: Thank you. If you
17 could just stop there.

18 MR. GORDON REYKDAL: Okay. Sorry. Okay.

19 MS. ANITA SOUTHALL: That's fine, thank
20 you. So I -- I did want to follow up on, then, the way
21 that the annual percentage rate information is
22 calculated, so under Item G above, 3,115.4 percent?

23 MR. GORDON REYKDAL: Correct.

24 MS. ANITA SOUTHALL: What -- what numbers
25 combined to provide that annual percentage rate cost of

1 credit?

2 MR. GORDON REYKDAL: Okay. It would be
3 all -- in this -- in this calculation it would be, I just
4 confirm, but would be all -- the interest, the broker
5 fee, the card fee, the insurance, all -- all included in
6 that APRIL calculation, I believe, could you -- I haven't
7 got a calculator to confirm that, but I'm pretty sure
8 that that's the case.

9 MS. ANITA SOUTHALL: Thank you, sir.
10 That's fine, if you -- if you could let us know.

11 MR. GORDON REYKDAL: Yep.

12 MS. ANITA SOUTHALL: Carry on with the
13 calculation and let us know if that's accurate.

14 MR. GORDON REYKDAL: Yeah.

15 MS. ANITA SOUTHALL: Because that's not
16 what it says in the document. It says that it includes
17 the interest charged by the creditor and the broker fees.

18 MR. GORDON REYKDAL: Yeah. The -- the
19 one thing just for point of clarity, the interest is
20 charged on the total amount that is advanced by the
21 customer and the customer -- the customer is advanced the
22 amount that includes, in this situation, includes the
23 card fee, includes the insurance in that calculation. So
24 it is calculated into the total principal amount which is
25 described in the document.

1 (BRIEF PAUSE)

2

3 MS. ANITA SOUTHALL: And where would the
4 two fifty (2.50) loading fee be in this example?

5 MR. GORDON REYKDAL: Okay. It's in the
6 amount advanced received, the one sixty-seven (167).

7 MS. ANITA SOUTHALL: I don't see the
8 comparability then to the original document, because the
9 original document at Attachment D was for a hundred and
10 sixty-seven dollars (\$167).

11 And I understood that to be where a debit
12 card wasn't involved. Am I wrong on that?

13 MR. GORDON REYKDAL: This statement of
14 disclosure here includes the debit card.

15 MS. ANITA SOUTHALL: So in the disclosure
16 -- there is no disclosure of the actual load fee of two-
17 fifty (2.50), I take it.

18 MR. GORDON REYKDAL: Well, what must take
19 place once a customer or pardon me -- elects to -- to
20 receive the card, they must sign a contract with Direct
21 Cash outlining all of the costs associated with the card
22 and along -- yeah, that's the first process. They have
23 to sign an agreement; I believe it's in the document with
24 the --

25 MS. ANITA SOUTHALL: Sorry, I think it

1 might be at Tab 4.

2 MR. GORDON REYKDAL: Okay.

3 MS. ANITA SOUTHALL: Which shows -- or --
4 or in your Rentcash evidence, Attachment D I believe,
5 includes the Direct Cash debit card agreement.

6 MR. GORDON REYKDAL: Correct, and that's
7 -- that's -- the customer acknowledges and executes that
8 before receiving the card.

9 MS. ANITA SOUTHALL: But you'll agree
10 with me, Mr. Reykdal, that there is nothing in this line
11 of items at the top of the statement of disclosure that
12 discloses that loading fee as a separate item.

13 MR. GORDON REYKDAL: That's correct.

14

15 (BRIEF PAUSE)

16

17 MS. ANITA SOUTHALL: Could you look,
18 then, at page 3 -- 3 of the same document that we've
19 provided to you. The heading of the document is
20 "Optional Payment Plan."

21 MR. GORDON REYKDAL: Yes, I see that.
22 Yeah.

23 MS. ANITA SOUTHALL: And just below the -
24 - the blank line that says "Customer Signature," there is
25 the word "receipt." Do you see that?

1 MR. GORDON REYKDAL: Yes, I do.

2 MS. ANITA SOUTHALL: The indication in
3 that receipt information in this example is that loaded
4 on the cash card is the sum of two hundred twenty-four
5 dollars, twenty-five cents. (\$224.25). Do you see that?

6 MR. GORDON REYKDAL: Yes.

7 MS. ANITA SOUTHALL: Is that the amount
8 that actually ends up on the person's debit card?

9 MR. GORDON REYKDAL: At the outset,
10 correct.

11 MS. ANITA SOUTHALL: Can you explain what
12 you mean by that?

13 MR. GORDON REYKDAL: What takes place
14 subsequent to the customer qualifying for the loan, they
15 get the full amount advance, we get paid our broker fee
16 subsequent to that initial -- subsequent to the
17 transaction.

18 So we get paid our fee at that point. So
19 the customer would be paying us -- at the conclusion of
20 receiving their funds they pay us our broker fee at that
21 time. So we're fully paid.

22

23 (BRIEF PAUSE)

24

25 MR. GORDON REYKDAL: Yeah, in addition --

1 pardon me -- to that the -- the payment protection plan
2 and the card fees are also paid at that -- at the
3 conclusion of the transaction.

4 MS. ANITA SOUTHALL: So we're trying to
5 understand, are all of these fees under the -- this area
6 of receipt that we're looking at.

7 All of the amounts that are shown there
8 totalling two hundred twenty-five dollars, thirty-one
9 cents (\$225.31) loaded onto the card at first instance and
10 then the amount is taken off to leave the remainder of one
11 hundred and sixty-seven dollars (\$167)?

12 MR. GORDON REYKDAL: With the exception of
13 the interest, that's correct.

14

15 (BRIEF PAUSE)

16

17 MS. ANITA SOUTHALL: Is there anything
18 that the client is provided that shows the reduction in
19 the amount that's been removed from the cash card, leaving
20 the balance that's actually on cash card when they leave
21 the wicket or the service station?

22 MR. GORDON REYKDAL: I'll confirm that,
23 but I believe they are -- they receive the -- the
24 transaction receipt also, and they are aware -- fully
25 aware -- of what the balance, of course, is left on their

1 card at that time.

2

3

(BRIEF PAUSE)

4

5 MS. ANITA SOUTHALL: Yes, if you could
6 show us or provide to us a copy -- again, if you could use
7 the same transaction and -- and provide us that additional
8 information that a -- a customer would receive to show
9 them where they actually end up when they're walking away
10 with that card, please?

11 MR. GORDON REYKDAL: Okay. Will do.

12

13 --- UNDERTAKING NO. 68: For Rentcash to provide the
14 additional information that a
15 customer would receive to show
16 them where they actually end
17 up when they're walking away
18 with the card

19

20 CONTINUED BY MS. ANITA SOUTHALL:

21 MS. ANITA SOUTHALL: Is it Rentcash's
22 responsibility, through their customer service
23 representatives, to review all of the documentation
24 associated with the actual promissory note, the loan
25 agreement, with a lender like Assistive Financial for

1 instance?

2 MR. GORDON REYKDAL: Yes, it is the
3 responsibility of the customer -- ultimately the company
4 but our -- our associate at the store level. Yes, that's
5 correct.

6 MS. ANITA SOUTHALL: And it would be their
7 responsibility to explain the Rentcash debit card
8 agreement, I take it?

9 MR. GORDON REYKDAL: Yes, correct.

10 MS. ANITA SOUTHALL: And the credit card
11 agreement, to the extent they took advantage of that?

12 MR. GORDON REYKDAL: That's correct.

13

14 (BRIEF PAUSE)

15

16 MS. ANITA SOUTHALL: May we just have a
17 moment, please?

18

19 (BRIEF PAUSE)

20

21 MR. ANTOINE HACAULT: I do have an answer
22 also on these lenders for Manitoba, when you want that
23 information.

24 MS. ANITA SOUTHALL: Sure, if you could go
25 ahead, Mr. Hacault, that would be fine.

1 MR. ANTOINE HACAULT: The lenders for
2 Manitoba include the following companies: 367463 Alberta
3 Ltd.

4 The second company, Trimar Annuity Focus
5 Limited Partnership Number 1 and Parship -- Partnership
6 Number 2.

7 Next, Dreadnought -- for the reporter, D-R-
8 E-A-D-N-O-U-G-H-T, Capital Inc.

9 And next, Bridgeview Financial Corp.

10 And, lastly, Assistive, which was presented
11 at the beginning of these hearings.

12 MS. ANITA SOUTHALL: Thank you. And did
13 you determine whether you're in a position to give us the
14 details on the shareholders of those companies and where
15 they're registered, et cetera?

16 MR. ANTOINE HACAULT: We'll provide you a
17 response as soon as we can as to whether or not we can
18 provide that additional information.

19 MS. ANITA SOUTHALL: Thank you.

20

21 (BRIEF PAUSE)

22

23 CONTINUED BY MS. ANITA SOUTHALL:

24 MS. ANITA SOUTHALL: There are a few more
25 things I'd like to cover today and then I will have some

1 additional cross on -- on Monday when we resume, but I'm
2 going to cover just a couple more things today with this
3 panel.

4 First of all, I'm just going to locate the
5 tab for the annual report for Rentcash. It is included in
6 a black-and-white copy in the materials.

7

8 (BRIEF PAUSE)

9

10 MS. ANITA SOUTHALL: Tab 59, I believe,
11 and if you could go to page 13, please?

12

13 (BRIEF PAUSE)

14

15 MS. ANITA SOUTHALL: This is a segment
16 from the brokerage division report. Attachment B -- for
17 the panel, Attachment B to your original evidence filing
18 contains a document called "Management Discussion and
19 Analysis."

20 I don't know if you recall that, but could
21 you confirm that?

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

23 MS. ANITA SOUTHALL: It doesn't contain in
24 the entirety though the information that's contained in
25 the annual report.

1 Is that right?

2 MR. GORDON REYKDAL: There are some
3 requirements to file more information in the annual report
4 than there are on a quarterly basis, so.

5 MS. ANITA SOUTHALL: Okay, thank you.
6 Have you located page 13?

7 MR. GORDON REYKDAL: Yes, I have.

8 MS. ANITA SOUTHALL: Thank you. There is
9 a statement on the very top paragraph on the left hand
10 column that says:

11 "A new sales training and associate
12 incentive program linked to our Payment
13 protection Program resulted in
14 substantive improvements to take up
15 rates and revenues for this product."

16 Do you see that?

17 MR. GORDON REYKDAL: Yes, I do.

18 MS. ANITA SOUTHALL: The payment
19 Protection Program is the optional insurance program, I
20 take it, that you referred to earlier today?

21 MR. GORDON REYKDAL: That's correct.

22

23 (BRIEF PAUSE)

24

25 MS. ANITA SOUTHALL: Could you tell us

1 what the incentives were that were introduced for this
2 product?

3 MR. GORDON REYKDAL: These were different
4 incentives provided for by the insurance company through
5 TGI. There was a -- viewed there was significant room for
6 improvement in the -- in the -- in their view anyway --
7 also to with respect to the -- the program.

8 And the -- the incentive programs are move
9 of a -- a ranking and improvement and a reward recognition
10 program based on improvement off of current levels. So
11 awareness and then people are being incented accordingly
12 based on performance.

13 MS. ANITA SOUTHALL: And who exactly
14 participates in the incentive program? Are they the
15 customer service representatives?

16 MR. GORDON REYKDAL: It would be the
17 customer service represent -- representatives right to the
18 regional manager level. So it would be the people that
19 oversee the store fronts also.

20 MS. ANITA SOUTHALL: And TGI is Trans
21 Global Insurance?

22 MR. GORDON REYKDAL: That's correct.

23 MS. ANITA SOUTHALL: And they are the --
24 are they the broker -- third party broker -- who offers
25 the optional insurance product through Rentcash?

1 MR. GORDON REYKDAL: They're -- they're
2 the insurance company which is a subsidiary of the Brick
3 Warehouse.

4 MS. ANITA SOUTHALL: But they're not the
5 insurer, I take it.

6 MR. GORDON REYKDAL: They are the insurer,
7 yes. They are the insurance company, correct, yep.

8 MS. ANITA SOUTHALL: What processes have
9 been used to improve the -- "take up on the product" I
10 understand means more borrowers taking advantage of the
11 product or signing on for it?

12 MR. GORDON REYKDAL: I -- I think -- yeah
13 it was more -- more awareness, more training, you know,
14 ensuring that the benefits are being properly communicated
15 to the customers.

16 And those were the -- you know, it was more
17 focussed around the training and -- and holding training
18 sessions, describing the product, and plus, also,
19 providing statistical information back to the operations
20 on what actually was occurring so that, you know, these
21 are important because customers were seeing it -- seeing
22 it and definitely recognizing it as value.

23 So there was more awareness created around
24 actually what was -- what was occurring in the business.

25 MS. ANITA SOUTHALL: Trans Global

1 Insurance was an intervener in this process. Are you
2 aware of that?

3 MR. GORDON REYKDAL: Yes, I was.

4 MS. ANITA SOUTHALL: They've subsequently
5 withdrawn their intervention, correct?

6 MR. GORDON REYKDAL: I believe so, yes.

7 MS. ANITA SOUTHALL: You may know that the
8 Board heard from an intervener, Progressive Insurance
9 Solutions, on a subject matter of a similar optional
10 insurance product.

11 Are you aware of that?

12 MR. GORDON REYKDAL: Yes, I was.

13 MS. ANITA SOUTHALL: And Progressive
14 provided a training manual for their creditor insurance
15 program to the Board, and provided us with some scripting
16 information that's been successful for them in terms of --
17 I'm going to use the word -- I'm -- I can't guarantee that
18 the -- the witness used the word, but encouraging
19 borrowers to consider using that product.

20 Does Rentcash have a similar type of
21 training for that product and any kind of scripting that
22 it uses for that?

23 MR. GORDON REYKDAL: Certainly do, with a
24 strong emphasis on an optional product for the consumers
25 and a very -- I believe -- a very well-rounded,

1 disciplined program that is -- has been provided for and
2 put together by TGI under the Brick -- overall Brick
3 Warehouse's guidance.

4 MS. ANITA SOUTHALL: Just going to read
5 you the script that's used by Progressive, and if you
6 could, tell me if your script sounds something like this.

7 "Great news --"

8 This is Progressive's.

9 MR. GORDON REYKDAL: Okay.

10 MS. ANITA SOUTHALL:

11 "Great news, John, your loan has been
12 approved. Your repayment amount will be
13 two hundred fifty-three dollars,
14 seventy-five cents (\$253.75), which
15 includes our optional loan protection
16 program, that in the event of death,
17 disability or unemployment, 50 to 100
18 percent of your loan may be paid on your
19 behalf. Loan protection will represent
20 three dollars and seventy-five cents
21 (\$3.75) of your repayment. Does this
22 work for you, John?"

23 Can you tell me if, for example, there is a
24 sharing of information, which at the front end actually
25 includes the cost of insurance and then identifies it as

1 optional in the Rentcash offering of the Transglobal
2 product?

3 MR. GORDON REYKDAL: I would -- I would --
4 quite frankly, I would have to confirm exactly what is --
5 what is used.

6 But as I mentioned earlier, the Brick is
7 very -- well, TGI, the subsidiary of the Brick -- is very,
8 very rigid with respect to insuring that this is an
9 optional product and being offered accordingly.

10 And we used to deal -- when we acquired
11 Instalogs, they were a provider, Progressive, for
12 Instalogs's services. And we did note some differences
13 with respect to how the program was being offered.

14 Under the Progressive banner or Progressive
15 Insurance Company or program versus what Transglobal had.
16 There was definitely some distinct differences there in
17 how that product was being offered that -- that we noted.

18

19 (BRIEF PAUSE)

20

21 MS. ANITA SOUTHALL: You're referring to -
22 - sorry, I'll give you a moment, sir.

23 You were referring to the differences
24 between the Transglobal approach to the Progressive
25 approach that I -- and I've just read you the script that

1 was being used by Progressive.

2 Does Rentcash have a view on whether or not
3 the Progressive approach is aggressive, essentially
4 attempting to -- to build into the cost, in advance, the
5 insurance product?

6 I'm trying to understand what you mean by
7 "differences."

8 MR. GORDON REYKDAL: Well, I -- I think
9 that I -- I wouldn't be -- I wouldn't go as far as saying
10 that, you know, I would -- wouldn't consider them an
11 aggressive company. They're in business and, you know,
12 they're there to conduct a business as they see fit.

13 But with respect to the -- probably the
14 large notable difference with respect to the way the two
15 (2) programs are offered is the emphasis on optional, and
16 ensuring that that is clearly conveyed to the consumers.

17 And that has been a significant portion of
18 the training and the development of that program within
19 our organization. And that would be the -- the most
20 notable difference in how that product is being offered.

21 MS. ANITA SOUTHALL: What is the uptake
22 with respect to the optional insurance product?

23 MR. GORDON REYKDAL: I'm not -- I cannot
24 disclose that information. We -- we are also bound by
25 confidentiality, in agreement with TGI, and are unable to

1 disclose that information.

2 MS. ANITA SOUTHALL: Are you able to
3 indicate what the improvement amounts to in the annual
4 report when that's indicated?

5 MR. GORDON REYKDAL: We -- from a
6 standpoint of the improvement -- I mean, I guess I can say
7 -- I'll go to the extent of saying that there was needed
8 improvement in that area, and we did see some, and that's
9 what we've -- we've identified and recognized in our
10 report.

11

12 (BRIEF PAUSE)

13

14 MS. ANITA SOUTHALL: Sir, if you could
15 just -- I'm not sure if you can give us the script. Is
16 that possible?

17 MR. GORDON REYKDAL: I don't believe
18 that's the case. Again, that would fall under the
19 confidential information -- I mean, not only with our
20 company, but within TGI that's something that we would be
21 bound by contract or are bound by contract right now.

22 MS. ANITA SOUTHALL: Is it possible for
23 you to review the -- the Progressive script, which is --
24 which is in the transcript. I think your counsel can
25 assist you to locate that. And here's what I -- what I

1 would be looking for.

2 If you could identify whether or not it's
3 structured in a similar way, where the cost is built in at
4 the front end in the information that's shared with the
5 consumer, that's what we'd be interested to know.

6 MR. GORDON REYKDAL: If this would be
7 acceptable, I could have TGI, if I -- I'll get a copy of
8 the script, and I'll have TGI -- I'll go through that, and
9 they could point out the notable -- noticeable differences
10 and everything else, and I'll have them provide that.

11 MS. ANITA SOUTHALL: If that's possible,
12 that would be of assistance.

13 MR. GORDON REYKDAL: Okay.

14

15 --- UNDERTAKING NO. 69: Mr. Gordon Reykdal to identify
16 whether or not Progressive's
17 script is structured in a
18 similar way to TGI's and have
19 TGI point out the notable
20 differences.

21

22 MS. ANITA SOUTHALL: Thank you, I -- I
23 appreciate that. I think this panel needs to get on a
24 plane.

25 MR. GORDON REYKDAL: Yeah.

1 MS. ANITA SOUTHALL: So, and I apologize
2 for going over our 4:00 today. Thank you.

3 MR. GORDON REYKDAL: Thank you very much.

4 THE CHAIRPERSON: Okay, thank you all. We
5 will see you all next week. Thank you. We stand
6 adjourned.

7

8 --- Upon adjourning at 4:05 p.m.

9

10

11

12 Certified Correct,

13

14

15

16

17 _____
Wendy Warnock, Ms.

18

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25