



News Release

June 27, 2008

By Order 89/08, the Public Utilities Board (Board) provides reconsideration of Order, 39/08, which sets out the maximum rates for payday loans.

Two parties to the payday loan proceeding that led to Order 39/08 provided formal criticism of the Order. The Board reconsidered its order in light of the criticism and has determined that while the main determinations, findings and recommendations remain as is and are warranted, a clarification and one amendment is required.

CLARIFICATION: The Board concludes that its definition of an extension, and of a renewal and/or replacement loan would benefit from clarification. The Board based its maximum charges for payday loans on the premise that new loans are to involve new and additional advances to the borrower, beyond the funds issued with the original loan, i.e. new money, not simply money to repay the original loan. Loans issued within seven days of the due date of the original loan, and loans issued without any additional advance of funds to the borrower, represent an extension, renewal or replacement loan and should be subject to the determinations of the Board respecting such loans or conditions as set out in Order 39/08. The Board recommends Government reflect that definition in its regulations.

AMENDMENTS: With respect to the rate reduction for early loan payment portion of the order, the Board concludes that sections 164(2) and (3) of *The Consumer Protection Act* adequately deal with the matter and deletes the following determination that was included in Order 39/08:

"If a payday loan is fully repaid more than five (5) days prior to the loan's due date, but after the 48-hour cooling off period, the cost of credit shall be retrospectively set at the original cost of credit, less \$3.00 for each day over five (5) days the loan is repaid early, with a minimum cost of credit of \$10.00".

In its reconsideration, the Board discovered a possible ambiguity, and has now varied Order 39/08 to the following directive to add the word "mandatory":

*"In determining adherence to this maximum, all **mandatory** charges and interest of any and all kinds, however determined or levied, are to be included in the calculation. In its next review of maximum charges (which is to take place no later than three years from the date of the government's Regulation setting maximum charges) the Board intends to review the thresholds at which these amounts are now established, to address any effects of inflation."*

In all material respects, Order 39/08 has been upheld, and in its reconsideration order the Board reiterates its concerns with the industry and its practices. A copy of the Order, which contains considerable background information, may be reviewed on the Board's website www.pub.gov.mb.ca.

The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4
Telephone: (204) 945-2638
Facsimile: (204) 945-2643
Toll Free: 1-866-854-3698
Email: publicutilities@gov.mb.ca