



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: 2024 PAYDAY LOAN REVIEW

Before Board Panel:

George Bass	- Panel Chairperson
Marilyn Kapitany	- Vice Chairperson
Carol Bellringer	- Panel Member
Jim Hrichishen	- Panel Member
Kim Sharman	- Panel Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
December 13, 2024
Pages 723 to 797

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APPEARANCES

Kara More) Board Counsel
Darren Christie) Board Staff
Jennifer Dubois)
Frederick Mykytyshyn)
Kristen Schubert)
Chris Klassen) Consumer Coalition
Katrine Dilay (np))
Keelen Griffen)
(Articling Student))

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1 --- Upon commencing at 9:01 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everybody. Call today's session to order. Mr.
5 Klassen, I understand you have some exhibits to enter.

6 MR. CHRIS KLASSEN: I do, Mr. Chair.
7 Thank you. The last exhibits of the Hearing coming in
8 just in time. At Exhibit CC-25, we have a revised
9 response to Undertaking number 26 (sic). The Panel
10 will recall that that's the revised financial model
11 prepared by Dr. Robinson.

12 And the revision only contains an
13 addition to the written explanation, which responds to
14 a request for clarification communicated through
15 counsel. So, that's Exhibit 25.

16

17 --- EXHIBIT NO. CC-25: Revised Response to
18 Undertaking 6 - December 13,
19 2024

20

21 MR. CHRIS KLASSEN: Exhibit CC-26 is
22 the closing slide presentation of the Coalition which
23 has been filed and which I believe is before you in
24 paper and will be on screen shortly.

25

1 --- EXHIBIT NO. CC-26: CC Closing Submission -
2 December 13, 2024

3

4 MR. CHRIS KLASSEN: As well as
5 Exhibits CC-27 and CC-28, which are anonymized copies
6 of loan contracts provided to the Board by
7 participants in the Consumer Panel yesterday for
8 information purposes.

9

10 --- EXHIBIT NO. CC-27: iCash Payday Loan Contract
11 Redacted - December 13, 2024

12

13 --- EXHIBIT NO. CC-28: Installment Loan Contract
14 Redacted - December 13, 2024

15

16 THE CHAIRPERSON: Thank you. To both
17 counsel, is there any further evidence that you wish
18 to adduce?

19 MS. KARA MOORE: Nothing from me, Mr.
20 Chair.

21 THE CHAIRPERSON: Thank you.

22 MR. CHRIS KLASSEN: And also nothing
23 further for the Coalition. Thank you.

24 THE CHAIRPERSON: Thank you. That
25 being the case, this concludes the evidentiary portion

1 of the 2024 Payday Loans and Government Cheque Cashing
2 Review.

3 I'll now ask Ms. Moore to provide her
4 closing submissions, after which time I will call on
5 Mr. Klassen to provide the Consumer Coalition's
6 closing submissions, and after which the Panel will
7 raise any questions they have on the Consumer
8 Coalition closing submissions. Ms. Moore...?

9

10 CLOSING COMMENTS BY MS. KARA MOORE:

11 MS. KARA MOORE: Thank you, Mr. Chair,
12 and members of the Panel. I'll be very brief this
13 morning.

14 As Counsel to the Board, I take no
15 position on any of the evidence or recommendations
16 advanced by the Consumer Coalition or any parties who
17 have submitted written submissions.

18 I will take this opportunity to simply
19 summarize the issues that are before the Board in this
20 Payday Loans and Government Cheque Cashing Review.

21 Pursuant to Section 164 of the Consumer
22 Protection Act of Manitoba and as requested by the
23 Minister of Finance in accordance with Section
24 164.1(1) of the Act, the Board conducted this public
25 review of specific aspects of amounts charged to

1 consumers in relation to Payday loans and the cashing
2 of government issued checks.

3 As part of this review, the Board was
4 required to review amounts charged to consumers to
5 obtain Payday loans.

6 And the Board was specifically asked by
7 the Minister to analyze the impacts of reducing the
8 maximum allowable rate that may be charged for a
9 Payday loan from seventeen dollars (\$17) per one
10 hundred dollars (\$100) borrowed to fourteen (\$14) per
11 one hundred dollars (\$100) borrowed in accordance with
12 the amendments to the criminal code that are set to
13 come into force on January 1st, 2025.

14 The Board was asked to review and
15 consider the impact of reducing the proportion of the
16 borrower's net pay which is used to determine the
17 maximum loan amount. And the Board was also asked to
18 conduct a review of the rates for cashing government
19 cheques.

20 There was, of course, only one (1)
21 Intervener who presented evidence in this hearing,
22 being the Consumer Coalition. The Board also called
23 one (1) witness, being Mani Sheppard-Luangkhot, a
24 representative of Assiniboine Credit Union, who
25 provided information regarding the community programs

1 offered by the credit union in partnership with
2 various nonprofit organizations in the province.

3 In addition to the evidence provided by
4 the Consumer Coalition and Ms. Sheppard-Luangkhot, the
5 Board also received submissions from the Canadian
6 Consumer Finance Association and the Manitoba
7 Financial Empowerment Policy Committee. These
8 submissions, though helpful for information purposes,
9 are, of course, not evidence in this proceeding. And
10 neither of those parties applied to be Interveners or
11 appeared as Interveners.

12 As part of this Hearing, the Board has
13 heard a comprehensive examination of the issues
14 respecting Payday loans in Manitoba.

15 In addition to the specific questions
16 posed by the Minister of Finance, the Board has heard
17 evidence and received information in respect of the
18 components of the cost of credit for a Payday loan,
19 the rates for extension, renewal, and replacement
20 Payday loans, the financial viability of the Payday
21 loan industry, demographics of Payday loan consumers,
22 the experience of Payday loan borrowers in Manitoba,
23 potential alternatives to Payday loans, internet or
24 online Payday loans, regulatory practices in other
25 jurisdictions, and government cheque cashing fees in

1 both Manitoba and in other provinces across Canada.

2 As requested by the Minister, the Board
3 will now be tasked with preparing a report and
4 providing recommendations to the minister with respect
5 to the matters reviewed.

6 Pursuant to Section 169 of the Consumer
7 Protection Act, the Board may issue an order with
8 respect to the rates for government cheque cashing
9 fees.

10 Mr. Chair, I've attempted to highlight
11 the main issues that arose and were explored in this
12 review, although, of course, there were several other
13 issues identified as well that I'm sure I haven't
14 commented on.

15 I would like to thank the Board as well
16 as the Interveners and presenters for their
17 cooperation extended throughout this process. And
18 those are all my submissions this morning.

19 THE CHAIRPERSON: Thank you. Mr.
20 Klassen...?

21

22 CLOSING SUBMISSIONS BY MR. CHRIS KLASSEN:

23 MR. CHRIS KLASSEN: Thank you, Mr.
24 Chair, And good morning. And good morning to the
25 Panel.

1 We are here after a full week to
2 present the closing submissions of the Consumers
3 Coalition. And as we said a week ago, it's time for
4 Manitoba to catch up.

5 We haven't been in this room discussing
6 these issues since 2016. Much has changed in the
7 intervening years. And our goal this morning will be
8 to provide a pathway for this Board in recommending to
9 government how it should go about closing that gap and
10 responding to the needs and interests of consumers.

11 From the Consumers Coalition's
12 perspective, there's urgent action needed to respond
13 to pressing and persistent problems. And the
14 consumers are affected, we know and have heard over
15 the past week, have limited financial flexibility,
16 limited choice, and inadequate regulatory protection.

17 The Consumers Coalition recognizes that
18 its role here has been unique as the only Intervener
19 in an evidence-based process. And we remain committed
20 to supporting the Board in identifying an evidence-
21 based pathway to regulatory and policy reform.

22 Our plan this morning will be to spend
23 just a brief moment reminding ourselves of the
24 perspectives presented here in the Coalition's
25 submissions. We'll also spend some time reminding

1 ourselves who Payday loan consumers are, and there
2 will be reasons for that that I'll get to shortly.

3 We'll ask ourselves, Payday loans, why
4 and why not, leading to the question of why is
5 regulatory protection important. We will review key
6 aspects of the regulatory landscape to prepare
7 ourselves to assess what is in place today and what is
8 and isn't working.

9 And we'll remind ourselves of the
10 evidence-based pathway, the overview of the evidence
11 that this Board has heard over the past week and that
12 we'll discuss in more detail shortly, the Consumers
13 Coalition will suggest was consistent and corroborated
14 themes throughout, suggesting to this Board that the
15 ideas that it heard, many of them had heard from more
16 than one (1) source, and as a result, they're credible
17 and reliable.

18 The bulk of our morning will be spent
19 on recommendations broken down into the categories
20 that you'll see on the screen followed by concluding
21 remarks.

22 In this Hearing, the Consumers
23 Coalition is a four (4) part Coalition, and we're very
24 happy about that. CAC (Manitoba) is a longstanding
25 and consistent Coalition member representing the

1 interests of consumers Manitoba wide.

2 Harvest Manitoba, as this Board will
3 know, is actively engaged in Manitobans facing food
4 insecurity and advocating for the improvement of their
5 circumstances.

6 The Aboriginal Council of Winnipeg
7 represents the urban Indigenous population, which, as
8 we heard this week and will again this morning, is
9 uniquely impacted by this issue.

10 And Community Financial Counseling
11 Services joins us with over fifty (50) years
12 experience guiding Manitobans through financial
13 instability, debt management, and toward financial
14 literacy.

15 And I'll note on behalf of the
16 Coalition that we're very pleased to be joined this
17 morning by Ms. Jennifer Montebruno, who's the
18 Executive Director of Community Financial Counseling
19 Services. Ms. Montebruno, thank you for joining us
20 this morning.

21 There is a lot of evidence before the
22 Board from the -- from the past week about who Payday
23 loan consumers are, and that's certainly relevant to
24 context and our understanding of -- of the needs to be
25 addressed. But, from our perspective, it also invites

1 attention here this morning for a number of reasons.

2 The identity of Payday loan borrowers
3 has changed; it's shifting over time. And we
4 understand, too, that the purpose to which Payday
5 loans are put also shifts with those moving
6 demographics. And as risks change over time, so too
7 should the protections.

8 We also recognize that this Board's
9 role is to make recommendations and that decisions
10 ultimately with respect to regulatory and policy
11 reform will be made at some distance from the evidence
12 that's been presented today.

13 And the decisionmakers were not in the
14 room. And so, we call on the Board as well to include
15 in its Order, in its report, findings on the
16 characteristics and nature of the Payday loan consumer
17 population so that the decisionmakers on Broadway can
18 properly understand who will be impacted by their
19 findings, by their decisions, and how.

20 And we learned, too, that while Payday
21 loan users come from all walks of life, there are key
22 attributes that invite consideration.

23 First and perhaps foremost, we've heard
24 consistently throughout this week, and also in
25 response to an undertaking, throughout evidence before

1 the Board over time in past hearings that there are
2 consistent trends in income and assets held by Payday
3 loan borrowers.

4 Payday loan borrowers are often poor,
5 but not the poorest. They have access to some
6 resources against which to borrow, whether through
7 income through employment or consistent reliance on
8 government benefits.

9 They also enjoy minimum -- minimal
10 asset allocation. And we also know that renters are
11 significantly more likely to access Payday loans even
12 after controlling for additional factors than
13 homeowners.

14 Unsurprisingly, wages and salaries
15 feature prominently in the sources of income relied on
16 by Payday loan borrowers. However, increasingly over
17 time, government benefits are featuring here as well.

18 We learned today -- this week that
19 Payday loan borrowers who were employed were more
20 likely to work part-time than full-time, and at least
21 some Payday loan borrowers relied on government
22 benefits, and that the population of Payday loan
23 borrowers are more reliant on government benefits than
24 nonborrowers.

25 We contrast this with a finding made by

1 this Board in 2013, identifying that while it appeared
2 that some Payday lenders may be prepared to lend on
3 the strength of income from social assistance, the
4 vast majority of Payday loans at that time were
5 extended on the basis of employment income.

6 And we see that changing over time. We
7 see government benefits featuring much more
8 prominently today than in 2013. And to the Coalition,
9 this suggests a shift in the use of Payday loans from
10 a source of credit to fill gaps between paycheques to
11 a last resort measure that's relied upon increasingly
12 for those in extremely low-income situations to meet
13 their urgent needs.

14 And it's the Coalition's perspective
15 that those two (2) uses of Payday loan products are
16 different and invite different responses.

17 We know, too, that Payday loan
18 borrowers have lower total debt, but they're more
19 likely to -- to carry debt than non Payday loan
20 consumers. And we understand that that's in part a
21 product of the fact that Payday loan consumers are
22 less likely to own a home, and so these are consumers
23 who don't carry mortgages.

24 But the likelihood that they carry any
25 debt at all being higher than the general population

1 of non Payday loan borrowers suggests that there's
2 widely -- there -- there is wide -- widespread
3 reliance on small debt on an ongoing basis by the
4 Payday loan borrowing population.

5 We also learned for the first time in
6 this Hearing from information that hasn't previously
7 been available to this Board that there's a
8 relationship between risk of bankruptcy and Payday
9 loan use.

10 And we know that a 1 unit increase in
11 Payday loan consumption raises the likelihood of
12 bankruptcy by more than two (2) percentage points.

13 We know that Payday loan borrowers are
14 less likely to access credit cards than non Payday
15 loan users, but for those who do, they are more likely
16 to not pay off the full amount; in other words, more
17 likely to carry credit card debt from month to month.

18 And we know that paying above the
19 minimum credit card balance reduces Payday loan
20 likelihood. And so, we see consumers in a -- in a
21 cycle of debt where they have access to credit cards,
22 are not able to pay more than the minimum amount, and
23 then fall into this category that we see at the bottom
24 of this screen, where there's a relationship between
25 their ongoing carrying of credit card debt and their

1 risk of future reliance on Payday loans.

2 We also know that Indigenous Manitobans
3 rely disproportionately on Payday loans. And
4 interestingly, we also heard from Probe that the
5 broader population of Manitobans of colour takes out
6 Payday loans at a lower rate than the general
7 population, although we know in particular that that
8 finding from Probe was not at a level to be assigned
9 statistical significance, so we caution reliance on
10 that second bullet but provide it for interest sake.

11 Payday loan borrowers tend to have
12 lower educational attainment. We know that there's an
13 inverse relationship between higher education and
14 reliance on Payday loans.

15 And we also know that Payday loan
16 borrowers are significantly more likely to also have
17 children. That tells us that parents with financial
18 needs not only for themselves, but for those of their
19 households, are more likely to need urgent short-term
20 credit through, for example, a Payday loan provider.

21 We also heard interest from the Board
22 and the relationship between disability and Payday
23 loan use. And we appreciate that because this is
24 information that wasn't previously highlighted in the
25 evidence before the Board and it provided our experts

1 an opportunity to dig further and be responsive to the
2 Board's interests and priorities.

3 And it's good that we did because we
4 now know that individuals with disabilities are more
5 likely to be installment loan consumers than those
6 with disabilities (sic).

7 And we'll note that this particular
8 fact relates to installment loans as opposed to Payday
9 loans because it was only one (1) of the three (3)
10 government of Canada data sets that provided access to
11 that information, the COVID-19 financial wellbeing
12 survey, which provided the opportunity to make a
13 relationship between disability and installment loans.

14 And I'll provide a brief clarification.
15 The Board will recall a few minutes ago, I identified
16 Probe's finding of the relationship between Manitobans
17 of colour and high-cost credit use as being not
18 statistically significant. I misspoke. That reality
19 of the statistical significance is actually related to
20 Probe's finding on disability found here on slide 12.

21 So, I'll provide that as a
22 clarification and carry on. Thank you.

23 We also know that installment loan
24 borrowers share many of the same characteristics as
25 Payday loan use. And this will make more sense to us

1 as we get through the presentation this morning and
2 hear about the evidence on the record that shows that
3 the distinction between Payday loans and installment
4 loans is really arbitrary.

5 In the words of Dr. Robinson, a day or
6 a dollar more, and it's no longer a Payday loan. And
7 so, we see that -- that -- the distinction between the
8 two (2) is artificial and consumers do go back and
9 forth.

10 And so, it's not surprising that we see
11 here that installment loan borrowers present many of
12 the same characteristics as Payday loan borrowers.

13 Lower income households, but not the
14 poorest, more likely to carry credit card balances,
15 more likely to have to declare bankruptcy, more likely
16 to be renters, and more likely to be financially
17 responsible for children, again, the same profile as a
18 Payday loan borrower.

19 The Board has heard from many consumers
20 over the past week. And we've been given valuable
21 insight into the reasons that consumers find
22 themselves relying on high-cost credit products. And
23 we know that those reasons are many, but we also know
24 that there are themes.

25 We heard about urgency. We heard about

1 gaps between income. We heard about surprise
2 expenses. And we heard about financial circumstances
3 creating barriers to more affordable credit.

4 And we won't go through these quotes in
5 detail, but there are explanations here from Dr.
6 Buckland explaining that these realities leave many
7 consumers without access to -- to adequate financial
8 services and needing to rely on alternative financial
9 institutions.

10 We heard that turning to Payday lenders
11 often starts with an unavoidable or urgent need. We
12 heard about how other sources of credit are often not
13 feasible, that the needs are often urgent. And also,
14 urgency aside, relative to branch locations of
15 financial institutions, we heard that Payday loans are
16 accessible. We heard about funds being e-transferred
17 to borrowers' bank accounts within minutes of
18 applications.

19 And we see here from a witness
20 yesterday, Payday loans were quick and efficient,
21 which creates the opportunity to worry about it later.
22 And, as we know and as we heard this week, that has
23 created significant problems for many consumers.

24 We know though that the barriers to
25 accessing mainstream financial services are more

1 complex than simply geographic location. That's
2 certainly part of it, but certainly not the only one.
3 Credit ratings are issues, lack of collateral for a
4 population that predominantly does not own their homes
5 and has lower assets than the general population;
6 certainly, a barrier.

7 Income is also certainly a barrier, and
8 that has to do for some with low income, but for
9 others, like Mr. B. who we heard from yesterday, the
10 structure or nature of their income source makes it
11 difficult for banks to find those resources to be
12 reliable.

13 And so, while he explained that he
14 makes a good living wage, the fact that much of it
15 comes from commissions created a barrier for him in
16 accessing credit from an institution. We also heard
17 about stigma.

18 These realities mean that when needs
19 for credit arise, which they do for all consumers,
20 Payday loans are for some a necessary evil. The risks
21 are, in many cases, properly understood. But in many
22 -- in those same cases, consumers find themselves not
23 having choice.

24 And that invites consideration both for
25 our client, Coalition, and for this Board of why we

1 are here for regulation. And there's a tension that
2 exists between protecting consumers from the tensions
3 -- the tension exists between protecting consumers
4 from risk and preserving access to what for many is a
5 necessary service.

6 On one side of that tension, we have
7 these realities here. We know that it's a high-risk
8 product causing debt cycles. We understand that these
9 often flow from an inability to pay the -- pay in full
10 the amount owed on the date -- on the date that it's
11 due, requiring consumers to enter into a debt cycle by
12 which a subsequent loan is taken out either to meet
13 additional needs or to pay off the first, reducing
14 resources in the future, increasing the likelihood of
15 need for another loan to keep the cycle going.

16 And we won't go through all of these,
17 but the two (2) in the middle I think are -- are apt
18 here. You get stuck. You're in the loop. You're in
19 the cycle. And on the right, you can't do it just
20 once.

21 This drives consumers to, in many
22 cases, exercise creativity, but it's some -- somewhat
23 of a desperate creativity, recognizing that something
24 needs to change in their circumstances in order to
25 break the cycle.

1 As we heard here yesterday, the only
2 way to get out of the rut is to go without. If you're
3 paying fifty dollars (\$50) for the money, it has to
4 come out of your budget for other things; sometimes
5 that ends up being food.

6 We also understand that there are risks
7 related to consumers' understandings of these
8 products. The distinction between Payday loans and
9 installment loans, for example, not always made clear
10 to consumers' experiences reflected on the record.

11 And we also know that there are growing
12 risks related with online lending, including
13 incentivization, gamification of the Payday loan
14 product, potentially leading consumers to taking out
15 more than they need. We heard about shame, anxiety,
16 and feeling out of control.

17 And so, we really see a tension. And -
18 - and this -- this is a tension that the Consumers
19 Coalition wrestled significantly with yesterday about
20 how to strike a balance between constraining access to
21 these products in favour of safer, more affordable
22 credit options and preserving access to the service,
23 recognizing that when legitimate needs arise and there
24 are no other options available, Payday loans are an
25 appreciated resource, hence the term 'unnecessary

1 evil' for some -- in some circumstances.

2 Complicating this reality, however, is
3 that for those who do need to rely on Payday loans,
4 they are fundamentally unfair. They fundamentally
5 impose a so-called poverty tax on these consumers
6 simply because they face barriers to more affordable
7 options.

8 We saw on this slide presented by Dr.
9 Buckland that there's a material difference in the
10 cost to borrow, whether through a Payday loan or, for
11 example here, a credit card balance.

12 We know that demand -- as he explained,
13 demand for Payday loans and other high-cost credit
14 comes from Canadians who are denied credit from
15 traditional banks, and that comes with a cost.

16 He explained in the quote on the left
17 that not only are these services more expensive, but
18 they're also intended to serve a different purpose
19 than -- than mainstream credit through financial
20 institutions.

21 When consumers are meeting their needs
22 through a Payday loan institution, for example,
23 there's no opportunity to save money. There's no
24 opportunity to build credit. In some cases, it
25 creates debt trap. Dr. Buckland described it as a

1 dead end. And we see that showing clearly in that
2 trio's recommendation, the blended recommendation
3 which will get into later, prioritizing, improving
4 access to mainstream credit alongside efforts to
5 strengthen regulatory protections for consumers today.

6 We include this here for future
7 reference. This is a really valuable illustration for
8 the Coalition's legal team and our clients to help us
9 understand exactly this debt cycle and to understand
10 the role that Payday loans play in it.

11 Which brings us to our reality here in
12 Manitoba. Manitoba has regulations in place
13 attempting to strike that balance between protecting
14 consumers by constraining access and preserving access
15 for those who need it, recognizing that safer
16 alternatives today are not available. Next slide,
17 please, Ms. Schubert. Thank you.

18 We know as a starting point that the
19 Criminal Code prohibits interest rates exceeding 60
20 percent and that that rate will reduce to 35 percent
21 APR on January 1st, 2025.

22 The Payday loan exemption from the
23 federal government's perspective permits loans of less
24 than fifteen hundred dollars (\$1,500) due in fewer
25 than sixty-two (62) days to be exempt from that 60

1 percent interest rate cap, which is why we see Payday
2 loans in Manitoba and across the country charging
3 interest rates far in excess of 60 percent.

4 Manitoba's definition of Payday loans
5 mirrors that of the federal government in the Criminal
6 Code. And Manitoba has a complimentary regulatory
7 framework intended to provide some structure and
8 security for Payday loan borrowers.

9 That includes the licensing process by
10 which we have licensed lenders understood to be more
11 closely scrutinized by the regulator. We have the
12 maximum fee presently at seventeen hundred dollars
13 (\$1,700) per hundred -- seventeen dollars (\$17) per
14 hundred dollars borrowed, consumers' benefit from loan
15 cancellation rights, maximum loan amounts as a
16 proportion of borrower income, rights and protections
17 for consumers in the event of default, and repeat
18 borrowing rules that limit total costs of capital to 5
19 percent of the principal loan on loan extensions or
20 renewals or on new loans within the seven (7) day
21 waiting period.

22 And this is the source of that seven
23 (7) day waiting period that we heard about frequently
24 from the Consumer Panel yesterday, recognizing that
25 it's in the regulation that if a subsequent loan is

1 offered from the same provider within seven (7) days
2 of a previous loan, that lender is limited, not to the
3 seventeen dollars (\$17) per a hundred borrowed, but
4 for -- to cost of capital of 5 percent on the
5 principal.

6 And so, because we don't see these
7 loans being offered, it's our understanding that that
8 5 percent limit makes loans during that seven (7) day
9 period untenable for lenders.

10 Also new this year, we find the federal
11 government in the room as well, leaving aside the
12 exemption of the Criminal Code.

13 We know that the interest rate -- the
14 maximum interest rate imposed by the Criminal Code is
15 set to reduce from the current 60 percent to 35
16 percent specified APR on January 1st.

17 We also know that there will continue
18 to be an exemption for Payday loans of up to fifteen
19 hundred dollars (\$1,500), or less than sixty-two (62)
20 days. There's a regulatory proposal on the table for
21 a minimum term length of forty-two (42) days. And as
22 we saw on the previous slide, that fourteen dollars
23 (\$14) per a hundred dollars borrowed will be in place
24 in short order.

25 There is also a high-cost credit

1 product regulatory landscape, but it's a very
2 different landscape than we see for Payday loans. And
3 we note that the distinction between the two (2) is
4 not something we have control over.

5 You know, we heard this week about
6 options to, you know, blur the lines between the two
7 (2) a little bit, use different names for these
8 products. But the reality is that the Criminal Code
9 creates an exemption for Payday loans constrained by
10 the sixty-two (62) day term length and the fifteen
11 hundred dollar (\$1,500) value limit.

12 And so, regardless of Manitoba's
13 response to other high-cost credit products, Payday
14 loans with that definition will continue to be part of
15 the regulatory framework in Manitoba.

16 And the question for Manitoba is what
17 to put in place around those Payday loans to more
18 broadly protect consumers, recognizing that the
19 distinction between Payday loans and other high-cost
20 credit products in many cases can be arbitrary and
21 that for consumers, these loans exist to meet many of
22 the same needs.

23 And as we see here from Dr. Robinson,
24 what's the difference? Well, the difference is maybe
25 one (1) day and one dollar (\$1), recognizing that a

1 loan due sixty-three (63) days instead of sixty-two
2 (62), no longer a Payday loan. Similarly, for a value
3 of fifteen hundred and one dollars (\$1,501), no longer
4 a Payday loan, the borrower no longer able to benefit
5 from Payday loan protections.

6 And so, our consumers identify that in
7 Manitoba, borrowers of high-cost credit products
8 benefit from lesser protections than borrowers of
9 Payday loans despite the fact that they face the same
10 risks, they have comparable needs, and the same
11 interests are at stake.

12 And for high-cost credit products in
13 Manitoba based on the high-cost credit product
14 regulation, the Consumers Coalition understands that
15 regulatory regime really to be limited to lender
16 licensing.

17 We see the same loan cancellation
18 rights for Payday lenders available to borrowers of
19 other high-cost credit products. And we also see
20 comparable loan information disclosure requirements
21 but little else.

22 And we see here that material gaps
23 exist between the regulation of Payday loans and of
24 other high-cost credit products in Manitoba.

25 The Coalition's goal in this process

1 has been to identify an evidence-based pathway to
2 regulatory reform. Our goal has been to provide the
3 Board with a comprehensive collection of evidence and
4 information that it can rely on in charting a path
5 forward for Manitoba.

6 In the -- in the Coalition's view, the
7 evidence presented has been with almost no exception
8 complimentary. Themes have been identified
9 consistently. And many of the issues and solutions
10 discussed have been presented to the Board from more
11 than one (1) source.

12 The Coalition relies heavily on its
13 independent experts' evidence in submitting
14 recommendations to the Public Utilities Board Today.

15 We began our Hearing with Dr. Simpson
16 and Dr. Frimpong. We presented them as a
17 collaborative team, relying heavily on Dr. Simpson's
18 extensive experience in this issue and before this
19 Board and the new perspective of Dr. Frimpong.

20 They presented an impartial analysis,
21 corroborating findings from across multiple government
22 of Canada data sets.

23 We recognize that the experts -- the
24 witnesses shared the concerns of the Board of the
25 small sample size related to the Manitoba specific

1 information. And that's simply reality of our smaller
2 population and the constraints in the government of
3 Canada's Research Agency's data collection.

4 We encourage the Board to understand
5 that the small Manitoba sample does limit the
6 information that we can draw from comparisons between
7 the Manitoba experience and experience in the rest of
8 Canada.

9 That reality does not, however, affect
10 the reliability of the information drawing on the
11 population at large.

12 And we see much of the information
13 presented in Dr. Frimpong and Dr. Simpson's report
14 provides both of those realities for the Board's
15 information and comparison, recognizing with the
16 caveat that to the extent that there are differences
17 between the general population of Canada and Manitoba
18 data, those may be attributable to small sample size.

19 And we have a caution from Dr. Simpson
20 recognizing that his assumption, again, an assumption
21 based on lots of experience, but still an assumption,
22 is that if these results were presented based on a
23 larger sample size over time, we would see those gaps
24 decrease.

25 We also heard from a trio of leading

1 experts before the Board with extensive experience and
2 having conducted extensive research related to Payday
3 loans to alternative financial products and financial
4 inclusion, making them leading experts on these issues
5 in Canada.

6 From the Coalition's perspective, it's
7 simply a happy coincidence that they have past
8 experience working together and had collaborated on
9 such a valuable resource in their 2018 publication,
10 building on this Board's work in 2016.

11 It was a privilege for the Coalition to
12 bring them before the Board and for our participation
13 in this process to benefit from their input.

14 They presented a wide array of
15 information, including Dr. Buckland's literature
16 review, Dr. Spotton Visano's assessment of the
17 political economy context of Manitoba's Payday lending
18 industry and her jurisdictional scan, and Dr.
19 Robinson's presentation of over a decade of iterations
20 of his financial model assessing ratemaking processes
21 for Payday loan industries in Manitoba and elsewhere.

22 And the Board has the unique benefit of
23 a joint submission of recommendations from those
24 experts, where they have done the work for us to
25 identify where their areas of expertise overlap and

1 align and where their experience points in the same
2 direction.

3 We also heard from Probe Research, as
4 the Board will recall. And, as I explained a week
5 ago, it was new for the Coalition to bring Probe
6 Research into this room.

7 The Coalition has extensive experience
8 relying on primary consumer research to inform its
9 participation in these processes. That information is
10 usually kept internal and used to inform decisions on
11 positions to make for the purposes of closing
12 argument.

13 However, due to the unique role of this
14 process and the unique importance of consumers' views
15 and experiences here, we were pleased to be able to
16 bring Probe right into this room to share their
17 insights with you.

18 The Coalition certainly recognizes and
19 appreciates the Board's acknowledgement of Probe's
20 expertise in this area. And we hope that the Board
21 found value in hearing directly from consumers through
22 Probe's lens.

23 Primarily through their focus groups
24 aided to some extent by their omnibus survey research,
25 again, primarily used as a recruitment tool for the

1 focus groups, we learned about the drivers of Payday
2 loan use, about borrowers' experiences repaying those
3 loan products, about the effects on household
4 finances, and consumers' ideas about how their
5 experiences could have been improved.

6 The other set of focus groups presented
7 to the Board recognized the expertise held by the
8 Coalition member organizations and their colleagues in
9 the Manitoba Financial Empowerment Network and
10 elsewhere.

11 We remind the Board that the
12 participants in this focus group are frontline workers
13 supporting the most vulnerable of Manitobans. This
14 report did not present insights on a cross section of
15 Payday loan borrowers.

16 This report presented insights gathered
17 through work experience over time of Manitobans who on
18 a day-to-day basis engage with and support those who
19 face barriers to accessing services, including
20 financial services.

21 And from the Coalition's perspective,
22 given the fact that the focus group participants in
23 this report have day-to-day direct experience with
24 Manitobans facing barriers to financial services and
25 other services that we can place weight and value on

1 their insights.

2 The Coalition recognizes the expertise
3 of its member organization staff and the unique
4 challenges faced by vulnerable Manitobans in
5 advocating for themselves in accessing services and in
6 understanding the systems that they engage in.

7 And those are challenges that the
8 participants in these focus groups support vulnerable
9 Manitobans in overcoming. And the purpose of this
10 report was to provide an opportunity for the Board to
11 have a window into that world as well.

12 Over the course of the last week, the
13 experts presented have identified key issues,
14 findings, priorities, and solutions which have been
15 introduced and consistently reinforced throughout.

16 The Coalition experts have extensively
17 engaged in this process through pre-filed evidence, IR
18 responses, and their participation here in this room,
19 and the Coalition feels strongly that significant
20 weight can be placed on the evidence of its
21 independent experts.

22 And our goal, our primary and only goal
23 in bringing them to this Board, has been to support
24 the Board in its decision-making process through
25 independent evidence.

1 Again, to a point that I made last week
2 and as well earlier today, the unique reality of the
3 Coalition being here as a sole Intervener means that,
4 as much as the Board has had the opportunity to test
5 evidence itself, it has not benefited from other
6 parties' perspectives on the Coalition evidence, and
7 the Coalition has not had the opportunity to test the
8 evidence of others, including the submissions of the
9 CCFA.

10 The Board will recall Dr. Robinson
11 providing some analysis and criticism of specific
12 issues presented by CCFA. The Coalition notes. at a
13 higher level for today's purposes, that that
14 information was not put forward by a qualified expert,
15 that that information did not have the opportunity to
16 be tested through cross-examination, nor were there
17 opportunities to ask for clarification or expansion
18 through Information Requests.

19 And so, from the Coalition's
20 perspective, significantly less weight should be
21 afforded to the CCFA submission than to those of the
22 Coalition's independent experts.

23 Moving on to recommendations. The
24 tension that I identified earlier is visible
25 throughout this section of the presentation. We've

1 heard the Board grappling this week with the question
2 of What should we do?

3 We have certainly appreciated the
4 Board's openness in asking questions and inviting
5 suggestion and direction from those giving evidence
6 before it. And we certainly appreciate the Board's
7 openness to creativity and ideas presented,
8 recognizing that the more comprehensive the
9 evidentiary record before it, the more robust its
10 report can be.

11 But the fact that there are these
12 tensions at play makes this identification of
13 recommendations complicated. And that's why the
14 Coalition found this blended approach presented by Dr.
15 Buckland, Dr. Robinson, and Dr. Spotton Visano as
16 helpful.

17 It first identifies a best and
18 preferred option which is shared among the Coalition
19 that our goal is to reduce barriers to accessing
20 mainstream credit that's safe, affordable, reliable,
21 low-cost credit through mainstream financial
22 institutions where consumers can access those services
23 when they need them and receive support in
24 strengthening their financial position

25 Recognizing, however, that that's not

1 the world we live in today, there are other solutions
2 that can be implemented on a complementary basis to
3 fill those gaps as we work toward that long-term goal.

4 And so we focus here, the Coalition
5 does, on the second best blended option identified by
6 the trio of experts on Monday, which identifies
7 specific actionable steps to be taken to pursue
8 progress toward three (3) goals instead of one (1).

9 One of those goals again is to promote
10 access to affordable mainstream credit alternatives,
11 as we see here on their slide.

12 Second is to tighten Payday regulations
13 -- Payday lending regulations, today to fill gaps.

14 And third is to increase enforcement in
15 Manitoba, recognizing the -- these experts strongly-
16 held position, which is shared by the Coalition that
17 given the realities faced by Payday loan consumers, a
18 complaints-based enforcement mechanism is wholly
19 inadequate.

20 And so, the Coalition presents a series
21 of recommendations here today, inviting the Board to
22 invite Manitoba in turn to prioritize removing
23 barriers to affordable credit, stronger protections
24 for Payday and high-cost credit borrowers, and
25 improved enforcement. And it's these three (3) themes

1 that will guide the next sections of our discussion.

2 Regarding improving access to
3 affordable mainstream credit, the Coalition is -- you
4 know, well understands that many mainstream financial
5 institutions are federally instead of provincially
6 regulated, which is why the Coalition identifies
7 unique opportunities in Manitoba's relationships with
8 its provincially regulated credit unions.

9 And we suggest strongly that Manitoba
10 should take steps to improve access to affordable
11 small-value credit through provincially-regulated
12 credit unions.

13 The Coalition is no -- is by no means
14 expert in the ins and outs of -- of the kinds of
15 financial services provided by credit unions, but we
16 do identify creative solutions, one of which discussed
17 among Coalition members could be a five hundred dollar
18 (\$500) no-fee overdraft amount included in low
19 barrier, basic banking services.

20 The Coalition also calls on Manitoba to
21 support programs addressing barriers to accessing
22 financial services, including those conducted by
23 Assiniboine Credit Union in partnership with community
24 organizations, which this Board heard about in the
25 hearing thanks to Assiniboine Credit Union's

1 representative. And again, these are steps to take
2 toward those long-term goals of reducing barriers,
3 which need to be complemented by short-term solution.

4 Regarding the rate cap in most
5 proceedings is the big question on everyone's minds;
6 for the Coalition in this process, less so recognizing
7 that there's a wide variety of other tools on which
8 Manitoba can make progress in combination with the
9 incoming fourteen dollar (\$14) per hundred dollars
10 borrowed rate cap.

11 We know that the federal government
12 will impose that rate on January 1st of 2025. And the
13 Coalition recommends that that be adopted in Manitoba
14 for the purposes of our regulatory framework and that
15 the fourteen dollars (\$14) per hundred dollars
16 borrowed limit be reflected here also.

17 And the Consumers Coalition points to
18 Dr. Robinson's analysis, which confirms that fourteen
19 (\$14) per hundred dollars borrowed will not have
20 adverse effects on the lending industry, will be
21 absorbable by the lending industry, and that will be
22 the case even if the loan structure changes, as we'll
23 discuss in a few minutes.

24 We also note that there was some
25 discussion of a lower rate still, thirteen dollars

1 (\$13) per hundred dollars borrowed. And just like our
2 experts on Monday did not invite the Board to go
3 there, the Coalition also takes the position that,
4 from today's perspective, that might be one step too
5 far, recognizing that we do not have confidence and do
6 not have enough information to credibly make that
7 assessment.

8 We heard from Dr. Robinson that if his
9 assumptions are correct, there's a reasonable prospect
10 that a lower rate might be justifiable, which is why
11 the Coalition has recommendations, which we'll get to
12 in a minute, for more robust data collection processes
13 by Manitoba's regulator so that in three (3) years'
14 time, when we're back here, we'll be better positioned
15 to make an evidence-based assessment of what that rate
16 should be.

17 And we recognize that that has been
18 considerably more challenging in this process due to
19 the fact that there are fewer providers in the
20 industry in Manitoba than there were previously, that
21 many of the public companies in the industry
22 previously, which reported on many of their financial
23 metrics that were inputs in Dr. Robinson's model, are
24 now private, and so that many of the inputs that were
25 relied on previously are no longer available.

1 And so, recognizing that there are
2 responses to be made to those changes in the industry,
3 the Coalition suggests that Manitoba should take steps
4 to close those gaps. We'll get to those details in a
5 minute. The point for this slide, we're in favor of
6 fourteen (14).

7 Moving on to the loan repayment period.
8 We heard from consumers -- and I'll start there
9 because their voices are very important in this
10 process -- we heard from consumers that more time to
11 pay would be helpful

12 We also know that having to pay in a
13 lump sum, having the whole amount due at once,
14 significantly contributes to borrowers' challenges in
15 meeting those obligations, which is why we frequently
16 see and hear about consumers needing to take
17 subsequent loans to pay off their previous loans,
18 which puts them into the cycle.

19 And the Coalition sees opportunity in
20 this adjustment, recommended adjustment, to the Payday
21 lending repayment period as creating significant
22 opportunity for improved circumstances for borrowers,
23 easing the pressures of paying off their loans, and
24 reducing risk of the debt cycle, and I'll explain how
25 in a few minutes.

1 We heard earlier about Canada's
2 legislative proposal to keep the sixty-two (62) day
3 maximum term length on a Payday loan and complement it
4 with a forty-two (42) day minimum term length.

5 And that would address the reality that
6 we see here in Manitoba where we also have a sixty-two
7 (62) day maximum term length for a Payday loan, but in
8 practice, see the loan terms tied quite closely to pay
9 periods, two (2) weeks a month at mos.

10 And imposing the forty-two (42) day
11 loan term minimum would give consumers more time to
12 pay. And if that time is also complemented by a
13 breakdown of the lump sum payment into a series of
14 installments, would also reduce the magnitude of that
15 payment obligation when it comes due.

16 We know, too, that Alberta has
17 implemented this loan structure. Alberta has a
18 minimum forty-two (42) day, maximum sixty-two (62) day
19 Payday loan term.

20 And as this Board can see in the -- the
21 Act and regulations from that province referenced on
22 this slide, the intent there in -- in Alberta's
23 regulatory explanation is to extend the obligation,
24 not only confined to one (1) pay period but over
25 multiple pay periods so that consumers have the

1 opportunity to plan ahead, to draw resources to meet
2 those obligations from multiple sources or multiple
3 payments, and again reduce that risk of needing
4 subsequent loans to pay their debts.

5 And the Coalition emphasizes the
6 importance of this. We have seen in Alberta, and it's
7 before this Board from the perspective of our experts
8 who were here on Monday, a surprising, a dramatic
9 reduction in default rates in Alberta on the same
10 timeline as this regulatory change to the structure of
11 the Payday loan product.

12 The Consumers Coalition sees a lot of
13 value in implementing this model here in Manitoba, and
14 I might even go so far as to suggest that this is
15 among the most important recommendations to be made by
16 the Coalition today.

17 There is precedent in other provinces
18 for this model being in place. There is experience
19 from other provinces showing that it has brought
20 benefits for consumers. And based on our
21 understanding of the needs that drive debt cycles in
22 Manitoba, it's reasonable to assume that it could make
23 a material difference for consumers in reducing that
24 risk.

25 And so, the Consumers Coalition

1 strongly recommends to the Board that, regardless of
2 what Canada does with its legislative proposal, that
3 Manitoba should take steps to implementing a model
4 much like is presently in place in -- in Alberta by
5 which we would see a Payday loan term taking place
6 over no less than forty-two (42) days and no more than
7 sixty-two (62) days with the opportunity for borrowers
8 to pay that debt in installments over the term of the
9 loan.

10 And we just note a quote from our
11 friend Mr. T yesterday in a response to a question
12 from Board Member Sharman: "I would say it would
13 definitely be helpful."

14 From the Coalition's perspective,
15 restructuring the Payday loan would reduce payment
16 amounts, ease loan repayment, and reduce the need to
17 renew or supplement loans with additional sources of
18 credit.

19 We now turn to the borrowing limit, and
20 we recognize that the Board has been specifically
21 asked to explore this issue by government. The Board
22 heard on Monday that Dr. Buckland, Dr. Robinson, and
23 Dr. Spotton Visano do not see a need to change this.
24 And the Coalition sees merit in their perspective and
25 adopts their recommendation.

1 The Coalition does not recommend a
2 change to the borrowing limit presently set at 30
3 percent of net pay. And the reason for that, as
4 explained by Dr. Buckland which the Coalition agrees
5 with, is that for purposes of a behavioral signal,
6 it's already there.

7 We know that the purpose of these
8 regulations is to protect consumers from -- against
9 taking out these products when they're not needed, and
10 a necessary part of that is signalling to consumers
11 when they are taking undue risks while at the same
12 time not getting in the way of consumers accessing
13 credit when they need it and when they don't have
14 other options.

15 And the consumers' rationale on this
16 recognized that if the net pay -- if the borrowing
17 limit was set lower, it could create a risk of
18 consumers who have legitimate needs for more credit
19 needing to go find that credit elsewhere.

20 We do note as well for the Board's
21 comfort that it was heard multiple times this past
22 week, particularly from our consumer panel yesterday,
23 but as well as through the work of Probe, that it's
24 common for borrowers to take less than they're
25 eligible for. It was not a common experience to hear

1 that borrowers were butting up against that limit
2 imposed by either 30 percent or fifteen hundred
3 dollars (\$1,500).

4 And if it's helpful as an illustration,
5 the Coalition applied the same logic to the question
6 of the limit in place on taking subsequent loans from
7 the same providers within that seven (7) day period.

8 The Coalition understands that the --
9 the purpose of the regulations for protecting
10 consumers is to provide a signal that we should not be
11 taking on too much debt -- to provide a signal that we
12 should not be taking on too much debt when the
13 obligations are going to be due in the same pay
14 period.

15 And yet for the consumers, for example,
16 who need more credit to meet legitimate needs, where
17 there are no other options, having this limit reduced
18 might cause them to turn elsewhere just like we see
19 consumers turning elsewhere when they butt up against
20 that seven (7) day loan -- seven (7) day loan waiting
21 period during a time when they need credit.

22 We heard that in that circumstance,
23 consumers simply go to another borrower -- or, sorry,
24 go to another lender. And it's the same logic that
25 applies here and leads to the Coalition's

1 recommendation that the borrowing limit set at 30
2 percent of net pay not be changed.

3 The Coalition feels strongly that the
4 complaints-based enforcement system in Manitoba should
5 be found inadequate. We know that that's how it
6 operates here. The Consumer Protection Office invites
7 complaints and then responds. The Board will also
8 have seen, however, in the report of the Consumer
9 Protection Office that the number of complaints
10 received is relatively low. And yet we heard
11 throughout this week that consumers continue to face
12 challenges in their experiences borrowing.

13 And as the Board will also see in some
14 of the footnotes toward the bottom of this page, we
15 also heard experiences that on their face invite
16 question of compliance with the regulations. And the
17 Consumers Coalition certainly doesn't raise that for
18 the purpose of making allegations today, but to
19 identify for the Board that there's information on the
20 record suggesting -- and confirming, we say -- that
21 more attention needs to be paid to enforcement in
22 Manitoba.

23 In the Coalition's view, the Consumer
24 Protection Office should not only -- should not only
25 respond to complaints, but should be empowered and

1 resourced to conduct active and direct enforcement of
2 Payday loan regulations, including and specifically of
3 online lenders

4 These should include investigations,
5 retail-based research, the power to impose penalties,
6 as well as the necessary training for staff to be able
7 to take these -- to take on these responsibilities
8 credibly.

9 We heard about a number of
10 opportunities on the record for the CPO to fill
11 information gaps before this Board and in the public
12 knowledge related to the unique risks posed by online
13 lenders in response to the incentivization or
14 gamification of Payday loans, and particularly, as we
15 heard yesterday from the consumer panel, in protecting
16 consumers from the practices of lenders with respect
17 to the insufficient fund fees charged by their
18 financial institutions.

19 The Coalition also feels strongly that,
20 given its position as regulator and body that has
21 access to the necessary information, the CPO should
22 also be responsible for public awareness and education
23 about risks.

24 We heard this week that online loans
25 continue to become more -- more and more prevalent.

1 We heard about borrowers yesterday who have
2 traditional experience using brick and mortar Payday
3 loan lenders who have transitioned to the app-based
4 products.

5 We learned yesterday that some of the
6 traditional lenders, like Money Mart and Cash Money,
7 are transitioning with them, but we also know that
8 many of the lenders using apps, using online platforms
9 are not the same brick-and-mortar lenders that we know
10 in Manitoba, and in one example we heard yesterday are
11 at times also coming into Manitoba to provide services
12 from out of province.

13 From the Coalition's perspective, this
14 invites a number of responses, some of which have
15 already been adopted by this Board and were issued in
16 its report in 2016. And this first section on the
17 screen are those which the Coalition understands and
18 views to continue to be relevant and applicable in the
19 circumstances.

20 At the -- at the first sub-bullet
21 there, this includes public education. The public
22 needs to know about the safeguards that are available
23 to their privacy; the requirements when using an
24 online Payday lender with respect to the information
25 that they do or don't need to provide with respect to

1 what they should or shouldn't be required to give; as
2 well, more generally of the risks of providing
3 information, personal information online; more
4 generally as an information and internet use literacy
5 question as opposed to a narrow financial literacy
6 question.

7 We suggest that the regulator, the
8 Consumer Protection Office, should publish its list
9 more widely than it does of licensed Payday lenders,
10 both brick and mortar, online, so that consumers have
11 a resource to assess for themselves whether a lender
12 they're about to take a product from is in fact
13 regulated by Manitoba and whether protections are or
14 are not available to them.

15 We also see opportunity for Manitoba to
16 pursue reciprocal agreements with other jurisdiction
17 for enforcement against lenders not licensed here.
18 These are in place already in other -- let me rephrase
19 that.

20 The Consumer Protection Act creates
21 opportunity for reciprocal agreements with respect to
22 other products, other areas of consumer protection,
23 recognizing that the services consumers use are
24 frequently coming into Manitoba from across provincial
25 boundaries.

1 Section 163 already creates the
2 opportunity for these to take place with respect to
3 Payday loans. And we -- it's the Coalition's
4 perspective that, with respect to online loans, the
5 need for reciprocal agreements to enable enforcement
6 of Manitoba's protections for consumers here against
7 lenders based elsewhere is more acute than ever
8 before.

9 And so, these opportunities created in
10 legislation should no longer simply be an open door,
11 but they should be a door that Manitoba walks through.

12 We also suggest that Manitoba -- the
13 Consumer Protection Office investigate the feasibility
14 of publish -- excuse me, of publishing a warning in
15 internet search engines to caution consumers against
16 the risk of unlicensed providers when they're
17 searching online for a Payday loan.

18 We did not hear about the mechanics of
19 that -- of -- of that protection that's presently in
20 place in Australia. We will all know anecdotally
21 about the reality of sponsored links in search
22 engines, for example.

23 So, we know that it's possible, we know
24 that it's done elsewhere, and we invite Manitoba to
25 consider this as a solution to remind consumers of the

1 risks that they face when they're taking out loans
2 online.

3 Turning our attention to the high-cost
4 credit product regulation, just to reiterate -- and
5 it's been said a number of times before -- it's
6 evident to the Coalition that the Board has certainly
7 taken interest in high-cost credit products in this
8 process other than Payday loans.

9 The Coalition is well aware that the
10 Board's mandate relates primarily specifically to
11 Payday loans. In the Coalition's view, the arbitrary
12 distinction between Payday loans and other products
13 necessarily invites reflection on the reality that an
14 important attribute of Payday loan regulation is that
15 they're simply too narrow.

16 The Coalition sees and -- and
17 encourages the Board to recognize that the risks are
18 the same, that consumers' interests are the same, and
19 that this is an appropriate opportunity to invite
20 Manitoba to regulate consumer protection for
21 consistency across the high-cost credit product
22 marketplace in response to the reality that to keep
23 its blinders on, to continue to focus narrowly on
24 Payday loans is no longer responsive to the needs and
25 interests of consumers as it was when this Board first

1 started looking at this issue in 2007 and '08.

2 And we know it as well, and
3 unfortunately this reference isn't provided on this
4 screen, but the invitation to Manitoba to consider
5 regulations for other high-cost credit products was a
6 recommendation extended to the province by this Board
7 following the 2016 hearing.

8 And so, with respect to these products,
9 just like for Payday loans, it's the Coalition's
10 position that the cost of credit insurance, other fees
11 should be all in.

12 When a borrower takes out an
13 installment loan, they should know what they're going
14 to pay. And even if the loan product is transparent,
15 if all of the fees aren't included in the definition
16 of loan product, then that number is no longer
17 accurate.

18 And so, the Coalition's recommendation
19 -- well, and, you know, an example of this that we
20 heard from Probe, for example, is the practice of
21 upselling where, for example, partway through the
22 process, there were opportunities to buy loan
23 insurance, as -- as one example.

24 And so, it's the Coalition's
25 recommendation that Manitoba require, for the purpose

1 of its regulation of high-cost credit products as well
2 as the calculation of -- of interest rates for the
3 purposes of the federal Criminal Code interest, that
4 the cost of credit as it's defined in Manitoba include
5 all interest rates and fees that will be charged to a
6 consumer of a high-cost credit product.

7 As noted before for Payday loans, the
8 Consumer Protection Office should conduct active and
9 direct enforcement of regulation and law relating to
10 high-cost credit products, including and not limited
11 to investigations, mystery shopping, penalties,
12 training for staff.

13 The Coalition feels strongly also that
14 high-cost credit product regulation should be subject
15 to the same three (3) year -- three (3) year review
16 term as Payday loan regulations before this Board and
17 as a general encouragement to Manitoba that, as far as
18 is practicable, the gap between the protections
19 available to Payday loan borrowers and installment
20 loan borrowers should be narrowed.

21 Turning to government cheque cashing --
22 again, another specific issue this Board has been
23 asked to consider by the government -- the Coalition
24 takes significant issue with the current fee structure
25 in Manitoba.

1 The reality that there's a flat fee
2 coupled with an unlimited percentage means on its face
3 that the fee charged for government check cashing in
4 Manitoba bears no relation to the costs incurred by
5 the body cashing the cheque.

6 It's inappropriate given the purpose of
7 the service, recognizing that when consumers are
8 cashing government cheques, the purpose of those
9 government benefits is to enable them to meet their
10 needs. And the fact that they are using those funds
11 to meet needs suggests that they are in need and that
12 to do without creates challenges for them down the
13 road.

14 The Coalition feels strongly, given the
15 circumstances of consumers relying on government
16 cheque cashing services, that these costs should not
17 be passed on to consumers. The Coalition recommends
18 that Manitoba pursue an arrangement with cheque
19 cashing services to cover costs associated with
20 cashing benefit cheques.

21 With respect to what the rate should
22 be, recognizing, you know, the Coalition's
23 recommendation that that rate be to government and not
24 carried by the consumer, we note that there are two
25 (2) recommendations on the record.

1 The Coalition prefers the proposal
2 identified by participants in the St. Aubin report,
3 which is a flat fee with no percentage added on top.

4 However, we also acknowledged that Dr.
5 Spotton Visano raised experience in British Columbia
6 and Ontario by which there is a flat fee plus a
7 percentage capped at ten dollars (\$10).

8 And finally here, as before, government
9 cheque cashing and the opportunity to cash these
10 cheques free of charge through a credit union or
11 mainstream financial institution should be prominent
12 in the Consumer Protection Office's public education
13 resources, its communications to the public more
14 broadly.

15 Turning to data collection, we heard
16 primarily from Dr. Robinson that a theme in his work
17 in this hearing was doing his best to fill gaps in
18 data with reliable assumptions because there's simply
19 less data available today than there was before.

20 We know that other provinces have taken
21 steps to close that gap, and the Coalition feels
22 strongly that Manitoba should do the same. More
23 robust data collection on Payday lenders and other
24 high-cost credit products should be required as a
25 condition of license in Manitoba.

1 With respect to the information that
2 Manitoba collects -- should collect, the Coalition
3 adopts the perspective of Drs. Robinson, Buckland, and
4 Spotton Visano to see the British Columbia regulator's
5 practices as a model.

6 And I apologize for how small that
7 print is. It's there mostly so we can see the length
8 of the list as opposed to what's on it. But in that
9 right-hand image, you'll see a twenty-nine (29) item
10 list of data points that the British Columbia
11 regulator requires its licensed lenders to provide at
12 each relicensing.

13 In addition to that, Dr. Robinson
14 suggests that application of his model at the next
15 hearing or a model like it, as this Board will know
16 well from its engagement with other entities in a rate
17 setting context, that information about operating
18 costs will also be important to assess the right rate.

19 And coming from the other side of the
20 table, from -- primarily from Drs. Buckland and
21 Spotton Visano, we recognize the value in basic
22 borrower socioeconomic data.

23 And if lenders were required to report
24 on the populations using their services, again on an
25 anonymous basis in a way that wouldn't compromise

1 privacy, that would provide an opportunity to overcome
2 some of the challenges in the data that Dr. Simpson
3 and Dr. Frimpong worked with.

4 It's an opportunity for Manitoba to
5 create a made-in-Manitoba dataset on the realities of
6 Payday and high-cost credit product users as a
7 mechanism of the licensing process.

8 And so, the Coalition sees
9 opportunities through this data collection requirement
10 to strengthen our ability in this room in the future
11 to set the right rate, and also, more broadly for
12 policy purposes, to understand the true
13 characteristics of the population of -- of high-cost
14 credit product users in Manitoba in the near and long
15 term for the purposes of making sure that regulations
16 are meeting their needs.

17 Information disclosure. We heard a lot
18 about consumers' understanding of the loan products as
19 well as a lot about gaps in that understanding, which
20 led the Coalition to work toward identifying where the
21 breakdown in communication might be between the lender
22 and the borrower.

23 The Consumers Coalition sees that the
24 regulatory requirements with respect to information
25 disclosure, the information to be provided to

1 borrowers in both Payday lending and high-cost credit
2 product regulations, is relatively comprehensive.

3 But aside from identifying a subset of
4 information that it needs to appear on the first page,
5 guidance on the presentation of that information is
6 virtually non-existent.

7 The Coalition suggests that key loan
8 facts need to be clear, intelligible, and prominent.
9 They must be presented and explained at the time of
10 borrowing and readily accessible throughout the term
11 of the loan.

12 Consumers need to have the details of
13 the loan products presented to them at the time of
14 borrowing and in a standardized manner, recognizing
15 that consumers frequently use these products from
16 multiple providers, and that differences in
17 presentation creates a risk of understanding.

18 One way to go about this, one way to
19 achieve this in the Coalition's perspective, is for
20 the Consumer Protection Office to consider requiring a
21 clear visual warning label at the front of a product
22 package. We heard a consumer witness yesterday
23 suggest that a pamphlet should be provided stapled to
24 the front of the contract that -- that a borrower can
25 keep.

1 We heard reference on the record to the
2 financial facts graphic referred to by Dr. Spotton
3 Visano, and we also heard endorsement of -- of this
4 model and, more importantly, the information presented
5 by Dr. Spotton Visano, Dr. Buckland, and Dr. Robinson
6 on Monday saying that, yes, this is the information
7 that consumers need, and they need to have it
8 presented clearly and accessibly in a manner like
9 this.

10 The Coalition is -- doesn't quite go
11 there with them, though. In our discussion about
12 these recommendations yesterday afternoon, we heard
13 strongly that the warning label on a Payday loan
14 product should be -- should have more in common with
15 the warning label on, for example, a carton of
16 cigarettes than, for example, a carton of orange
17 juice.

18 The -- the Coalition agrees with the
19 experts that, yes, the information here is accessible,
20 but in terms of a visually compelling, arresting
21 warning, this doesn't quite go far enough. And so,
22 the Coalition encourages the Consumer Protection
23 Office to exercise some creativity in developing
24 solutions that are responsive to consumers' needs to
25 make sure that consumers not only have the information

1 available to them, but to make sure that they
2 understand.

3 There are also a number of issues that
4 have been raised in the course of this week that don't
5 fit cleanly into the context of the Payday loan or
6 high-cost credit regulations. And the Coalition takes
7 the position that progress on these issues should be
8 made as well.

9 The Coalition agrees with the
10 perspectives presented through the -- the SEED and
11 Manitoba Financial Empowerment Policy Committee
12 Report. That -- and that we also heard through the
13 Zoe St. Aubin Report with her research -- or focus
14 group participants, that the Manitoba Borrowers'
15 Financial Literacy -- Literacy Fund should be
16 reinstated.

17 The Coalition recalls and understands
18 that to be -- to have been, a levy charged on lender
19 licenses by which the funds were used to promote
20 financial empowerment and literacy programming in
21 Manitoba.

22 We note that in response to a question
23 from Board Member Hrichishen, that there is not a lot
24 of evidence on the Board about the existence of the
25 Payday Loan Borrower -- or the Borrowers' Financial

1 Literacy Fund or the purposes that it went to.

2 And so, we are providing evidence, but
3 we do provide legislative references in -- at footnote
4 98, for this Board's information, to fill in some of
5 that history about when it came to be, the purpose
6 that it served and when it went away.

7 The Coalition also feels strongly that
8 Manitoba should support credit unions and community-
9 based organizations promoting financial empowerment to
10 improve programs geared toward enhancing financial
11 literacy, access to government benefits and programs,
12 promoting savings incentives, such as targeted
13 investments in TFSAs or RSPs, particularly, for low
14 income individuals.

15 And we note that's in large part, a
16 response to the recognition by Dr. Buckland that, yes,
17 Payday loans and other high-cost credit products meet
18 immediate needs, but they are not a comprehensive
19 suite of services that might be available through a
20 credit union, for example, to support consumers in
21 building savings, in paying off debt as part of a
22 long-term strategy as opposed to an ad hoc cycle, in
23 contributing to a TFSA or an RSP. And some examples
24 of that we heard through Assiniboine Credit Union's
25 witness and -- and elsewhere.

1 As well, the Coalition reiterates the
2 recommendation of Dr. Spotton Visano, Dr. Robinson and
3 Dr. Butland -- Buckland to ban credit insurance on
4 loans to persons whose primary source of income is
5 government assistance or pension.

6 Regarding process, the Board has turned
7 its mind to this recommendation before and the
8 Coalition urges it to do so again, to remind
9 government that this process is important. And that
10 for this process to take place regularly is also
11 important.

12 The Coalition sincerely hopes to be
13 back in this room on these same issues in three (3)
14 years time. And the reason for that is that we know
15 this industry is changing. The marketplace is
16 changing, consumer's needs are changing and Manitoba,
17 today, has to catch up. And we expect that in three
18 (3) years time we'll need to respond again. And so,
19 the Act creates the opportunity for reviews every
20 three (3) years. The Coalition feels strongly that
21 these should take place.

22 The Coalition Member Organizations feel
23 privileged to have participated in this process due,
24 in large part, to the fact that it is long overdue.

25 The Coalition organizations have called

1 for this review to take place since 2019 and have
2 watched consumer circumstances in the face of high-
3 cost credit product lenders deteriorate over time.
4 We know that consumers are at risk facing acute needs
5 of intervention and it's the Coalition's sincere hope
6 that this process leads to policy and regulatory
7 reform.

8 The Public Utilities Board is well
9 positioned to guide Manitoba toward balanced, strong
10 and effective regulatory protections for consumers
11 facing barriers to affordable credit and mainstream
12 financial services.

13 The Coalition also urges Manitoba to
14 recognize that its narrow focus on Payday loans and
15 the gap in protections between Payday loans and other
16 high-cost credit products, leave -- leaves consumers
17 vulnerable to widely available, insufficiently
18 regulated credit.

19 On behalf of the Consumers Coalition,
20 we extend our sincere appreciation to the Board for
21 its engagement in these issues over the past week, for
22 its efforts in including multiple voices in this
23 process, including at the late stages of inviting
24 Assiniboine Credit Union into the -- to join us in the
25 room, and for its careful attention to the independent

1 evidence of the experts put forward by the Coalition.

2 The Coalition has made best efforts to
3 provide the Board with an evidence-based pathway
4 toward regulatory reform and has confidence in the
5 Board's ability to do so, based on the -- the
6 comprehensive evidentiary record that is before it.

7 Mr. Chair, subject to the questions of
8 the Panel, these are the closing comments of the
9 Consumers Coalition following this very important
10 hearing.

11 THE CHAIRPERSON: Thank you, Mr.
12 Klassen. Ms. Kapitany ...? Any questions?

13 VICE CHAIR KAPITANY: Thank you, Mr.
14 Chair. Just two (2) very short clarifications.

15 One on page 7, where you had quoted
16 from the Board's 2013 paper saying "the vast majority
17 of funds are being lent to employed persons."

18 And I believe I heard you say this is
19 no longer the case, but it doesn't say that on the
20 slide. So, I just wanted to clarify that.

21 MR. CHRIS KLASSEN: Thanks for the
22 question and I'll gladly take an opportunity to
23 clarify.

24 It was not my intent to communicate
25 that Payday -- that -- that the majority of Payday

1 loan borrowers are not borrowing on the basis of
2 employment income.

3 What we do see, however, is a slow
4 shift, not to the point of tipping the majority, but a
5 slow shift over time from 2013 when the Board
6 acknowledged that use of government benefits to access
7 Payday loans might be happening in some limited
8 circumstances.

9 To the evidence of Dr. Frimpong and Dr.
10 Simpson, where we see government benefits accounting
11 for approximately 30 percent of Payday loan volumes.
12 And that will be at approximately figure 8 or 9 of
13 their report. And those are -- are going to be --
14 that will be the reference cited at footnote 10 of
15 Exhibit 3, being their report, page 10.

16 And so, to summarize, not saying today
17 that Payday loans are predominantly taken out by those
18 relying on government benefits, but that over time,
19 we've seen a shift in the source of income used to
20 access the credit product, which suggests to the
21 Coalition that the -- the purposes for which consumers
22 rely on Payday loans shifts over time which invites us
23 to consider how the protections should respond in
24 turn.

25 VICE CHAIR KAPITANY: Thank you for

1 that. And then on page 44, you made mention that
2 Manitoba should support credit unions and community-
3 based organizations.

4 So, you're implying there that the
5 Government of Manitoba should provide funding for
6 credit unions to do this kind of education work?

7 MR. CHRIS KLASSEN: In a word, yes.

8 VICE CHAIR KAPITANY: Okay.

9 MR. CHRIS KLASSEN: Support is broader
10 than that. We recognize that community-based
11 organizations, non-profit organizations frequently,
12 and the Public Interest Law Center is no exception,
13 rely on a diverse array of funding sources in order to
14 make their operations happen.

15 Some of these include regularly grants
16 -- government grants for programming. And many
17 community organizations, unless they will have taken a
18 position of -- of intentionally not accepting
19 government funding, and in the Coalition's experience
20 as well, can be expected to have relationships with
21 the government departments to which their work
22 relates.

23 And so, whether that support comes in
24 the form of funding, grants for specific projects, or
25 simply recognition of the value that the work of

1 community-based organizations serves for Manitobans,
2 in combination or in relationship to the services
3 provided by government departments, the intent here
4 was to express something more broad -- broader than
5 just funding relationships.

6 VICE CHAIR KAPITANY: Thank you.
7 Those are all my questions. Thank you, Mr. Chair.

8 THE CHAIRPERSON: Thank you. Mr.
9 Hrichishen ...?

10 BOARD MEMBER HRICHISHEN: I have no
11 question today. Thank you.

12 THE CHAIRPERSON: Ms. Sharman ...?

13 BOARD MEMBER SHARMAN: I have no
14 questions either. Thank you, Mr. Chair.

15 THE CHAIRPERSON: Ms. Bellringer ...?

16 BOARD MEMBER BELLRINGER: Thank you.
17 I just have a couple of real quick ones. And first of
18 all, thank you so much for your assistance and for
19 this very well-organized summary.

20 On page 30, I'm wondering on your
21 comment, the last bullet, "as a result significant
22 weight should be given to Consumers Coalition evidence
23 and recommendations."

24 Are you -- have you thought of it this
25 way or are you proposing the same weight to all of the

1 evidence or have you thought about any sort of sub
2 components having more weight than others?

3 MR. CHRIS KLASSEN: Thanks for the
4 question.

5 The Coalition is confident in all of
6 its evidence. We recognize that there have been
7 discussions over the past week that invite us to view
8 the -- the evidence through particular lenses.

9 One example is, as I discussed this
10 morning, the fact that we need to keep in mind the
11 sample size of the Manitoba specific data informing
12 the assessments of Dr. Simpson and Dr. Frimpong.

13 We also heard discussion about some of
14 the accuracy of the comments of the participate -- of
15 the participants in the focus groups in the report
16 presented by Ms. St. Aubin. And we suggest -- it's --
17 it's the Coalition's position that Ms. St. Aubin's
18 presentation of the contents of that discussion is
19 credible, reliable and accurate.

20 And that the expertise of the staff of
21 the Coalition member organizations, their colleagues
22 working toward financial empowerment in Manitoba, is
23 coming from the experience of Manitobans dedicated to
24 working with vulnerable consumers on a day-to-day
25 basis.

1 We recognize that participants in that
2 focus group might have areas of specialty, some might
3 be financial services, some might be newcomer
4 resettlement, some might be other to -- recognizing
5 the -- the breadth of focus areas that we saw.

6 And we also recognize that, in many
7 cases, the staff of the organizations, like the
8 Consumers Coalition member organizations and other
9 participants in that group are first points of contact
10 for vulnerable consumers who come to them with a wide
11 variety of issues including, but not limited to, the
12 issues immediately central to that organization's work
13 and expertise.

14 And so, part of the value in the
15 information that's before the Board in that report is
16 that the participants in that focus group are bringing
17 breadth of knowledge. We have subject specific
18 experts in other areas. The purpose of that report
19 was to recognize the expertise from the bird's eye
20 view observation of the Manitobans who are engaged in
21 the work of supporting vulnerable consumers and
22 accessing services.

23 And so, to answer your question, the
24 Coalition remains confident in all of its evidence,
25 but we recognize that with respect to those two (2)

1 specific examples, there was discussion on the record
2 at the proceeding that invites us to be careful about
3 the lens we use when we read those reports.

4 BOARD MEMBER BELLRINGER: Thank you
5 very much. My -- my second comment's embarrassingly
6 small. I'm just on page 34.

7 I'm wondering if there's a typo in
8 Footnote 68, "that it's coming into force January 1,
9 2025."

10 MR. CHRIS KLASSEN: That's absolutely
11 a typo. Very kind of you to characterize that as your
12 embarrassment instead of mine. I

13 BOARD MEMBER BELLRINGER: I can't even
14 imagine why I noticed it.

15 MR. CHRIS KLASSEN: And, yes, so for
16 the record and if the Board prefers, we're happy to
17 file an amended Exhibit CC-26 later today with this
18 correction.

19 But footnote 68 on page 34 of Exhibit
20 26, being the Coalition's presentation, the
21 criminalist interest rate regulations identified there
22 will come into force on January 1st of 2025 not 2024
23 as expressed on the slide.

24 And we thank Board Member Bellringer
25 for her attention to detail.

1 BOARD MEMBER BELLRINGER: Thanks very
2 much.

3 THE CHAIRPERSON: Thanks, Mr. Klassen,
4 and we'll take you up on just looking after filing an
5 amended exhibit administratively.

6 MR. CHRIS KLASSEN: We'll see to that
7 today. Thank you.

8 THE CHAIRPERSON: Thank you. This
9 concludes the 2024 Payday Loans and Government Cheque
10 Cashing Review.

11 On behalf of the Board Panel, I'd like
12 to thank everyone for their cooperation throughout the
13 hearing, including all of the following: the
14 Consumer Coalition and their Counsel from the Public
15 Interest Law Center, Mr. Klassen, Ms. Dilay and Ms.
16 Griffin.

17 Also, the Canadian Consumer Finance
18 Association and the Manitoba Financial Empowerment
19 Policy Committee who provided written submissions.

20 The Secretary of the Board, Dr. Darren
21 Christle and his staff; our electronics document
22 manager, the Board's Ms. Kristen Schubert, who is the
23 Board's Senior Judicial Hearing Officer. Our court
24 reporter, Digi-Tran, including Ms. Wendy Woodworth.
25 Our accounting advisor, Mr. Cathcart and our Counsel,

1 Ms. Moore.

2 I would also like to thank each of the
3 witnesses who testified throughout this hearing: Dr.
4 Wayne Simpson, Dr. Jennifer Frimpong, Dr. Jerry
5 Buckland, Dr. Chris Robinson, Dr. Brenda Spotton
6 Visano, Ms. Manichan Shepherd-Luangkhot, Mary Agnes
7 Welch, Zoe St. Aubin and the three (3) witnesses on
8 the consumer panel, who were referred to as Mr. B.
9 Ms. R. and Mr. T.

10 The Panel will be meeting in the near
11 future to deliberate and make our final determinations
12 on the matters before us. This concludes our hearing.
13 Thank you all very much.

14

15 --- Upon adjourning at 10:31 a.m.

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17 Certificate of Transcript

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Wendy Woodworth, Ms.

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