



As of January 1, 2018 municipalities in Ontario can restrict the number of payday loan shops that can operate in a given area, as well as restrict the areas where payday lending shops operate.

## Payday Lending

Who uses payday lending services? According to research out of Calgary it is mostly the working poor – people who are working full-time in low paying jobs who utilize payday loans<sup>1</sup>. Across Canada 4.8 million people are living in poverty, 51% of them are working<sup>2</sup>. People who are cash strapped cannot access traditional lines of credit, or access credit cards. Having emergency needs, and meeting basic needs month to month has meant payday lenders become financial institutions of the poor. A payday loan is the most expensive form of consumer loan.

In Belleville 17.6% of the population are living in poverty, according to the most recent Canadian Census (2016). 35% of single parents across Hastings County are living in poverty. The child poverty rate across Hastings county is 1 in 5<sup>3</sup>.

In Community Conversations on poverty (2016-2017), held by the Poverty Roundtable HPE and in partnership with the Community Development Council of Quinte, people living in poverty across the two counties spoke specifically to their experiences with poverty, the causes of poverty and how to address poverty regionally. Highlighting those conversations includes debt as a way into poverty, and not having the means to pay down debt. Meeting urgent needs can mean borrowing from payday lenders: e.g. for rent, utility bills as well as unexpected needs such as car repairs. The reliance on payday lenders to help in a pinch has been described as a core need.

*“Where would I go if payday lenders weren’t here?”* Poverty Roundtable Speakers Bureau member

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<sup>1</sup> Environics Research Group (2013). Payday Loan Users Study – Alberta. <http://www.cpla-acps.ca/english/reports/CPLA%202012%20e%20Users%20AB.PDF>, 15

<sup>2</sup> *Citizens for Public Justice (2017). Poverty Trends 2017.*  
<https://cpj.ca/sites/default/files/docs/files/PovertyTrendsReport2017.pdf>

<sup>3</sup> Statistics Canada, (2017). Focus on Geography Series, 2016 Census. Statistics Canada Catalogue no.98-404-X2016001. Ottawa, Ontario. Analytical products, 2016 Census



*"The system is designed to keep us in debt,"* community conversation participant

## **The impact of payday lending institutions**

*How a \$200 payday loan cost over \$31,000, The Current, January 3<sup>rd</sup>, 2018*

*Robbie McCall started using payday loans after he got sick and couldn't work. His disability cheques weren't enough to get by.*

*He says it has taken him nine years to pay off a \$200 loan.*

*"The first one was actually for \$20 dollars," he tells The Current's Anna Maria Tremonti. "I am on a limited income, right? So paying it back I was left with no money. I had no choice but to re-borrow."*

*McCall says when the loan fees started adding up, he borrowed from another payday lender and the avalanche of fees began to pile up.*

*"It was \$100 extra every month to pay the fees off," he says.*

*With such a limited income, McCall says he couldn't get ahead and it wasn't long before he was handing over a whole disability cheque to pay off the loan.*

*McCall calculates the interest on his loan over nine years amounts to \$31,752.*

*<http://www.cbc.ca/radio/thecurrent/the-current-for-january-3-2018-1.4470118/how-a-200-payday-loan-cost-over-31-000-1.4470207>*

## **Debt trap and poverty**

Income from Ontario Works (OW), Ontario Disability Support Program (ODSP), Canada Pension Plan Disability (CPPD), Workplace Safety and Insurance Board (WSIB), Old Age Security (OAS) and Employment Insurance (EI) is legally protected from garnishment. However, if money from one of these sources is mixed in a bank account with money from a non-protected source then it can be garnished. People receiving the above forms of government assistance who own property can have that property seized to satisfy a pay day loan. Moving from social assistance to employment leaves people open to having their wages garnished. However, loans received once on social assistance must be repaid, as Robbie's story above illustrates.





## Provincial changes in regulating payday lenders

Since January 1<sup>st</sup>, 2018 new regulations allow municipalities to create their own rules around the number of payday lenders, including the proximity of lenders. Existing payday lenders must, however, be grandfathered, with any new zoning and municipal regulations.

- Additionally, new regulations cap what payday lenders can charge. The maximum is \$15 per \$100 this equates to an annual interest rate of 390%. In comparison the criminal code allows up to 60%, however payday lenders are exempt.
- Lenders now cannot lend more than 50% of a person's net income per loan.
- Lenders must also publicize the cost of borrowing
- Cheque cashing services now have maximum fees. E.g. government cheque is \$2 plus 1% of the value of the cheque up to \$10

## Municipal action on payday lending

- The City of Hamilton has changed by-laws permitting only 15 payday lenders in the city and controlling how far apart payday lenders must be. Hamilton also engaged in a community education campaign to educate consumers about payday lending.
- Ottawa motions to regulate payday lending. <http://mathieufleury.ca/1961-2/>
- Payday Lending Zoning bylaws, USA municipal examples:  
[https://consumerfed.org/pdfs/PDL\\_ZONING\\_LAWS\\_chart\\_11-11.pdf](https://consumerfed.org/pdfs/PDL_ZONING_LAWS_chart_11-11.pdf)  
Sample: Payday lenders cannot locate within 600 feet of same. Stores cannot exceed one per 10,000 residents.

## Access

More than 800 payday lenders are licensed by the government of Ontario, which makes up more than half of payday lenders across Canada. In Belleville there are a number of payday lending institutions with the majority in close proximity to each other. In Quinte West there are four. Zoning in other municipalities have regulated payday lending shops to one per ten thousand residents, and zone proximity of shops to each other.



A lack of sufficient income is the predominant driver that brings people into predatory lending institutions. Consider approximately 30% of workers in Hastings County work part-time and seasonal jobs, a single individual on Ontario Works receives \$721 monthly to cover all living costs, and the Ontario Disability Support Program provides approximately \$1200 for all social assistance income. Income doesn't cover the basic cost of living, and then there are unexpected emergencies, so people end up going to a payday lender and getting a loan they can never afford to pay back.

To truly address payday lending, incomes need to be increased and affordable financial services created. According to ACORN Canada, 15% of Canadians have no access to credit, and can't access small loans. Credit unions have indicated an interest to provide alternatives and to meet the needs of people in low income. **Provincial proposals may exempt community banks from regulations that would allow credit unions to respond to low income earner credit needs.**

## The Payday Loan Business Model

The Canadian Payday Loan Association claims they exist for one-off emergency lending yet according to their own research:



For every new customer  
15 are repeat customers.



55% take out loans to cover  
routine or necessary expenses.

Graphic source: Hamilton Poverty Roundtable



COMMUNITY DEVELOPMENT COUNCIL OF QUINTE



## Confronting predatory lending needs to include access to fair banking

*Fair Banking* is a campaign across Canada to ensure banking, financial tools and credit become available to people living in low income. **Canada's Bank Act** will undergo reform in 2019. Opportunities exist within the review process to advocate for banking services for marginalized Canadians that are fair.

### The fair banking campaign calls for:

- Access to low interest credit for emergencies
- Low interest overdraft protection
- Alternatives to predatory lenders, e.g. credit union products designed for low and moderate incomes
- Create a national anti-predatory lending strategy
- Amend the criminal code to lower maximum interest rates, and include predatory lenders in the criminal code

## Addressing payday lending and banking services in Hastings Prince Edward

In the last two years more than 400 people living in poverty have taken part in community conversations on the causes, impacts and solutions to poverty. The following highlights the actions put forward across our communities around financial empowerment. Municipalities have an important role to play.

### Municipalities can:

- Regulate proximity of payday lenders
- Through zoning, limit the number of payday lenders that can exist in a municipality
- Municipalities can launch community education campaigns
- Municipalities can be key advocates for provincial and federal changes that would help to bring fair financial services to those below the poverty line



**Hastings Prince Edward community recommendations excerpt on *Financial Empowerment***

<b>Financial Empowerment</b>		<b>Primary role or responsibility</b>			
		<b>Potential partner</b>	<b>Community</b>	<b>Municipal</b>	<b>Provincial</b>
Objective: Access to financial services for people in low income. Increase incomes. Stop predatory services					
Regulate payday lending (interest rates, proximity, quantity of shops, educate on consumer rights and debt)		●	●	●	
Create financial instruments and supports for those in low income, including access to credit and urgent needs	Credit Unions, Postal Banks	●			●
Raise social assistance rates to be in alignment with actual costs of living				●	
Encourage economic growth that brings full-time above minimum wage jobs to the region		●	●		
Financial literacy taught in schools and through adult education centres. Support in filing and accessing tax benefits.	Credit unions, schools, adult education centers	●		●	

A community set of recommendations, made up of interventions to address poverty in Hastings Prince Edward will be released in 2018. The action planning process has involved well over 500 community members, the majority who are currently living in poverty.



## Resources

To complain about a payday loan company, contact the Ministry of Government and Consumer Services.

- The toll free number is 1-800-889-9768 or
- on the web at <https://www.ontario.ca/page/filing-consumer-complaint>

## Local Resources

- To get free legal help with consumer and debt problems including pay day loans call:  
**The Community Advocacy & Legal Centre** at 613-966-8686 or 1-877-966-8686 TTY: 613-966-8714 or 1-877-966-8714, [www.communitylegalcentre.ca](http://www.communitylegalcentre.ca)
- **To get free Credit Counselling call Resolve Counselling Services:**
  - Belleville/Madoc Offices: (613) 966-3556 or 1-800-379-5556
  - Kingston/Napanee Offices: (613) 549-7850 or 1-800-379-5556

