
NEWS RELEASE

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Ministry of Public Safety and Solicitor General

GOVERNMENT MOVES TO REGULATE PAYDAY LENDERS

VICTORIA – The Province today announced new regulations to help protect consumers who apply and receive short-term loans from payday lenders.

“Many British Columbians use payday lenders from time to time,” said Solicitor General John van Dongen. “However, the real cost of these short-term loans can be extremely high for borrowers when fees are added in and they can have trouble paying the loan off by the due date. We’re regulating the industry to ensure that these loans are being administered fairly and appropriately.”

There has been significant growth in the short-term lending industry in B.C. in recent years. For borrowers, these lenders provide quick access to small loans to cover emergencies like a car repair, and the loan is then scheduled to be paid off by borrower’s next payday.

As of Nov. 1, 2009 payday loan companies in B.C. will need to be licensed by the Business Practices and Consumer Protection Authority (BPCPA).

Key regulatory changes include:

- The maximum charges for short-term loans will be capped at 23 per cent of the principal and that must include interest and all other fees. Some payday lenders currently charge as high as 30 per cent.
- A loan agreement between the payday lender and the borrower that sets out all charges, terms and conditions. Payday lenders must also display posters and signage showing their rates and fees.
- Borrowers will have the right to cancel the loan by the end of the following day, without paying any charges.
- Payday lenders will not be able to collect repayment on a loan directly from the borrower’s employer, or get unrestricted access to the customer’s bank account. They will also not be allowed to ask for repayment of the loan before the borrower’s payday.
- Payday lenders will not be able to issue more than one loan to a borrower at a time, and rolling one loan into another with new charges attached will also be prohibited.
- Payday lenders will not be able to issue a loan for more than 50 per cent of the borrower’s next paycheque.

Borrowers will have a mechanism to resolve complaints outside of the courts. Furthermore, the BPCPA will have the tools to ensure industry compliance once the rules come into effect. The regulations will be reviewed in two years.

“These measures will help consumers clearly understand the costs associated with payday loans and assist those who find themselves in over their head financially as a result of repeatedly using payday loans,” said Scott Hannah of the Credit Counselling Society. “The B.C. government is moving in the right direction with these regulations.”

The government introduced payday loan legislation in the spring of 2007 and it was passed in the fall. The regulatory changes being announced today follow changes the Federal government made to the Criminal Code that year to allow provinces to set their own rates for payday lenders.

There are about 250-300 payday outlets in B.C.

1 backgrounder(s) attached.

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