



Payday Loans Manitoba Focus Groups

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Methodology and Objectives for Research

Methodology

- Two (2) focus groups were held on Thursday September 13th in Winnipeg, Manitoba.
- A mix of participants were recruited, based on gender and age.
 - All participants were payday loan users, having used at least one payday loan in the past 12 months.
- Participants received \$60 for their participation.

Objectives for Research

- The objectives of the focus groups were to:
 - Gain an understanding of different credit options available to payday loan users, in addition to payday loans
 - Understand reasons for using payday loans
 - Determine experience and knowledge of short-term borrowing through payday loans
 - Gain general perceptions of payday customers
 - Determine how important access to payday loan option really is

Credit Options Available for Payday Loan Users

- Almost all participants, except 1, had a bank account.
- Participants identified a number of different short-term borrowing options available to them, including:
 - Payday loans
 - *“Before payday loans, I used pawnshops.”*
 - Lines-of-credit
 - Credit cards
 - Personal loans
 - Overdraft protection
 - Borrowing money from friends and family

Credit Options Available for Payday Loan Users

- Participants mentioned running into a number of different financial emergencies, which caused them to take out a payday loan, including, but not limited to:
 - Unexpected car maintenance
 - *“My car broke-down.”*
 - Extended sick-leave from work
 - *“I had a bad flu and missed two weeks of work so I had to make \$2000 up somewhere.”*
 - Lost job/Job transition
 - *“I just ended a job and I am starting a new one.”*
 - Unexpected medical expenses
 - *“I used it to pay for an ambulance.”*
 - *“To pay for my boyfriend’s medical expenses.”*

Use of Payday Loans

- Most participants felt that if they needed, say \$300 before their next payday, they would use a payday loan.
 - *“I would use a payday loan.”*
 - *“I would use a payday loan, I don’t want to bounce a cheque, it costs \$35!”*
- A few participants said they would take an advance on their credit card, use a post-dated cheque, borrow money from a friend or their employer, or use a pawnshop.
 - *“I’d ask my boss for an advance.”*
- A few participants mentioned they would wait until they got paid, depending on the urgency.
 - *“I would just wait and stick-it-out, it would depend on the emergency.”*

Use of Payday Loans

- Many participants felt they paid their loans back on time.
 - *“I pay all my loans back on time, 99 percent of the time.”*
 - In fact, some participants mentioned they try to pay back most of their loans back before they are due, in order to pay as little interest as possible.
 - *“I paid my payday loan back before (it was due) to save some of the charges”.*
 - A few participants mentioned they paid back most of their loans on time, however, a few did admit that they have missed a small number of payments in the past.
 - A few participants mentioned that a payday loan provider made it easier for them to pay back their loans.
 - *“They told me that I could close my account if I signed a bunch of documents and they set-up a schedule where I could pay it back in installments and I closed my account, that’s the last time I used it.”*

Use of Payday Loans

(Continued)

- Almost all participants understood the importance in paying their loans back on time, primarily to:
 - Save added interest charges and late fees
 - Protect their credit rating
 - A requirement to take more loans in the future
 - *“If your cheque bounces, you have to pay more fees.”*
 - *“It’s the right thing to do.”*
 - *It’s a moral issue – you agreed to the terms.”*
 - *“It can hurt your credit rating.”*
 - *“No one wants to pay more interest.”*

Use of Payday Loans

- Many participants felt they tended to go to a payday loan company instead of a bank or credit union because they only wanted to borrow a small amount of money and felt that banks did not offer short-term loans in smaller amounts (under \$500).
 - *“I went to the bank and the minimum they would lend me was \$1000, I only need a couple hundred.”*
 - *“I don’t want to borrow too much, I can get a smaller loan (through payday loans).”*
- Other reasons for choosing a payday loan over a loan from a bank or credit union included:
 - Convenience, quick and easy process
 - No money down
 - No credit check required
 - No explanation/justification for why they need the loan
 - Better customer service
 - *“(Payday loans) are more convenient because sometimes you go to the bank and no one is there.”*
 - *“Generally very good service.”*
 - *“When something comes up, it’s right there.”*
 - *“You don’t have to explain yourself.”*

Other Reasons for Using Payday Loans

- Participants mentioned a number of reasons why they used payday loans in the past, including:
 - To pay for unexpected expenses such as car breakdowns, medical emergencies (including medication and services), lost jobs/job transitions (including time lost on extended sick leave).
 - To pay for necessities such as rent, food, and financial support for siblings.
 - *“I’ve bought food with it.”*
 - To avoid charges on routine bills such as hydro and other utilities.
 - *“A cheque went through that I didn't expect on Sunday, so I used a payday loan company to cover it.”*
 - A few participants mentioned they used a payday loan to help pay for other loans in emergency situations.

Perceptions of Payday Loan Users

- Almost all participants disagreed with the notion that payday loan users were generally poor, uneducated, and didn't know what they were getting into when choosing to use payday loans.
 - Participants felt that payday loans customers, like themselves, were aware of the terms and requirements of payday loans and felt it was a necessary source of money for them, when they needed it.
 - *“I read it very carefully.”*
 - Many participants agreed that they only used payday loans for emergency situations and paid back the loans on time.
 - A few participants noted the importance of paying back payday loans and avoiding the ‘cycle’ of long-term payday loan use.
 - Almost all participants felt the terms of their payday loan was made clear to them and felt they made an informed choice in deciding to use payday loans.

Perceptions of Payday Loan Users

- Comments made by participants regarding perceptions of payday loan users included:
 - *“Are normal, everyday people.”*
 - *“People who need paydays loans are mostly working class.”*
 - *“It has been a lifesaver for me.”*
 - *“I am grateful to get out of a bind. I got myself into a bind, but I was able to take care of it. I am grateful to get out of that situation.”*
 - *“(users) Are not uneducated, but I don’t want to starve for a month to wait.”*
 - *“Middle class people make enough money, but things are very expensive.”*

Importance of Payday Loans

- Many participants felt it was important for them to continue to have payday loans as an option for borrowing money in the future.
 - Participants mentioned a number of reasons, primarily because they had a weak credit rating and required quick access to money in emergency situations.
 - *“It’s important because it is convenient if you can’t get the money anywhere else on the spot.”*
 - *“It’s an absolutely necessary option.”*
- Participants had mixed feelings about implementing a consolidated, all-in-one, charge for payday loan users.
 - Some participants felt it was a good idea to force payday loan providers to consolidate all loan fees into a per dollar rate, such as \$20 or \$25 per \$100 to avoid the allowance of addition ‘brokerage fees’ that some providers charge in addition to the allowable maximum interest charge.

Perceptions of Payday Loan Users

- Some participants felt it was not important to them because it doesn't change the actual amount they are required to pay for the loan, whether they are charged a % or \$ amount.
 - *"I don't care either way you are going to have to pay it."*
- A few participants mentioned that it was important to ensure that payday loan providers follow the rules and charge only up to the maximum allowable charge without adding additional hidden fees.
 - *"If it came to passing a law, they should make it a percentage or a dollar amount, but eliminate any extra fees."*
- Many participants felt it was important for them to have choice when choosing a payday loan provider.
 - *"I think it is very important to have options."*
 - A few participants felt this would lead to more competition in the marketplace and thus, lower service fees for payday loan users.



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