

Fourth Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
DEBATES
and
PROCEEDINGS
Official Report
(Hansard)

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authority of
The Honourable George Hickey
Speaker*

With these comments, I am pleased to recommend this bill for consideration. Thank you.

Mr. David Faurichou (Portage la Prairie): Mr. Speaker, I move, seconded by the honourable Member for Turtle Mountain (Mr. Cullen), that debate now be adjourned.

Motion agreed to.

Bill 25—The Consumer Protection Amendment Act (Payday Loans)

Hon. Greg Selinger (Minister of Finance): I move, seconded by the Minister responsible for Energy, Science and Technology (Mr. Chomiak), that Bill 25, The Consumer Protection Amendment Act (Payday Loans); Loi modifiant la Loi sur la protection du consommateur (prêts de dépannage), be now read a second time and be referred to a committee of this House.

His Honour the Lieutenant-Governor has been advised of this bill and I table the message.

Motion presented.

Mr. Selinger: Mr. Speaker, amendments proposed here to The Consumer Protection Act that Bill 25 address payday lending which will protect Manitoba borrowers from excessive charges and questionable business practices that have been identified as problems in this industry.

* (15:20)

Currently, the Criminal Code prohibits lenders from charging more than 60 percent interest, including all the administrative charges. Administrative charges and other fees are typically added to these loans by payday lenders to cover the cost of doing business. Because payday loans are for small amounts for short terms, it is very easy for the interest charges and fees to add up to rates that could be far in excess of the Criminal Code rate. Because of the demand for these loans and the gaps left by traditional financial institutions in serving the community, it is clear there is a place for services of this nature.

This legislation provides for the setting of fees through a public process by the Public Utilities Board that will permit borrowers, businesses and community stakeholders to comment on what costs are and what is a reasonable amount to be charged for these types of loans. The PUB will hold a hearing and consider a number of matters before making a determination regarding the rates that may be

charged for a payday loan. The board may consider information about the operating expenses of lenders, the terms and conditions of loans, the circumstances and credit options available to borrowers, regulation of payday lenders elsewhere and other relevant matters.

Following the hearing, the board will make an order, setting the maximum cost of credit that may be charged for a payday loan, fees for the extension or renewal of a payday loan and the amount that may be charged if a payday loan is in default.

Mr. Speaker, the Criminal Code needs to be amended to permit us to regulate these fees. We have requested such an amendment from the federal government. This bill includes prohibitions intended to stop the practice of rollover loans which can increase the costs of these loans dramatically. As well, amendments will prohibit wage assignments, title loans and concurrent loans from the same lender. A 48-hour, cooling-off period is provided during which the loan may be cancelled without penalty. The payday lender will be required to give the borrower written information at the time the loan is made, including a statement that the loan is a high-cost loan, and notice of the borrower's right to cancel the loan within 48 hours.

The amendments will require that lenders be licensed and bonded. The Consumers' Bureau is provided with inspection powers that will be important to ensure that lenders are complying with these requirements. The bill also includes penalty provisions which will require that the total amount of all fees charged be refunded to the borrower where the lender has charged unauthorized fees.

In addition to the amendments included in this bill, Mr. Speaker, changes to The Consumer Protection Act that passed last year relating to the disclosure of the cost of credit, increases to enforcement penalties and the introduction of administrative penalties will also be applicable to payday lenders.

Mr. Speaker, with these comments, I am pleased to recommend this bill for consideration of the House.

Mr. David Faurichou (Portage la Prairie): Mr. Speaker, I move, seconded by the honourable Member for Ste. Rose (Mr. Cummings), that debate now be adjourned.

Motion agreed to.