

Canadian Payday Loan Association Calls on Governments to Set Maximum Fees at \$20 per \$100

- Says companies that can't operate at \$20 or less under new regulations should be shut down by provinces -

The Canadian Payday Loan Association (CPLA) today called on provincial governments to set the maximum allowable charges and fees for a payday loan at \$20 per \$100 – or an equivalent maximum.

The move is expected to divide and more clearly differentiate the best industry players – 40% of the industry belonging to the CPLA – from the majority of payday lenders who refuse to abide by a strict code of best business practices.

There were several important factors carefully weighed in developing the \$20 per \$100 maximum fee position:

- A rate that high enough to **not create a monopoly** for the one or two largest companies, while ensuring a rate that is low enough to **protect valued customers** from the worst industry players;
- A rate that is sufficiently low to **ensure consumers are not being gouged** and are paying a reasonable price for a needed service;
- A rate that is sufficiently low to **ensure the worst players in the industry can no longer prey on consumers and are put out of business**;
- A rate that is sufficiently high enough to **ensure companies serving rural markets with higher costs could remain viable**; and,
- A rate that is sufficiently high enough to **allow smaller companies to remain viable and offer real competition** in the market place

The federal government is expected to pass a new law this spring (Bill C-26) that will allow provinces to regulate the industry serving upwards of 2 million Canadians if the provinces (a) introduce specific consumer protection legislation, and (b) set a maximum cap on the total allowable fees and charges for the product.

The CPLA has taken its position on a maximum fee to further its ongoing dialogue with all governments to ensure a balance between consumer protection and a viable industry.

“This is a wake up call for all those payday loan companies that are not serious about consumer protection – are not serious about providing a needed service at a reasonable price – and only care about lining their pockets by gouging consumers,” said Stan Keyes, President of the CPLA.

“Our Association – representing the full spectrum from the smallest to the largest players in the industry have agreed that a maximum rate of \$20 per \$100 when provincial regulation is introduced is reasonable and justified. Under new provincial regulations, any payday lender claiming they can't operate with a \$20 per \$100 cap in place isn't

serious about protecting consumers and should be shut down by provinces at the earliest opportunity.”

Keyes acknowledged that even at \$20 per \$100, many smaller industry players will face difficulties making ends meet, but even the smallest members of the CPLA agreed that by tightening their belts and rationalizing some services, they would be able to viably operate at the proposed level.

A recent study by Ernst and Young indicated the cost of providing a payday loan to consumers was approximately \$20 per \$100 – before profit margins were factored in. While a handful of larger companies have slightly lower costs given a larger economy of scale, many mid-size and small payday loan companies have cost structures above the \$20 figure cited by Ernst and Young.

The majority of the industry in Canada has chosen to not join – or have left – the CPLA because they are not prepared to abide by its strict code of conduct. Today’s move to call for maximum fee caps of \$20 per \$100 will further differentiate the best industry players from those that are not serious about consumer protection or offering a service at a reasonable, viable price.

The Canadian Payday Loan Association represents 23 companies, accounting for about 40% of all payday loan stores in Canada. Members of the CPLA adhere to a voluntary code of best business practices, monitored by an independent Ethics and Integrity Commissioner.

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