

Presentation to City of Winnipeg
Standing Policy Committee on Property and Development
Council Chamber, 510 Main Street
October 16, 2007

Goodafternoon, my name is Stan Keyes. I am President of the Canadian Payday Loan Association. Mr. Chairman, you and your staff are to be congratulated on the tremendous amount of work done to improve the quality of your city.

Chairman Swandel,

Councilors, on behalf of the Canadian Payday Loan Association (CPLA), we appreciate the opportunity to appear before your committee to discuss measures contained in the proposed Winnipeg Zoning By-law No. 200/2006. My comments today will focus on the proposals related to cheque-cashing – or payday loan – facilities.

As you know, the draft by-law proposes that cheque-cashing facilities be treated as a “conditional use” in some commercial and industrial zoning districts, and that a separation of 1,000 feet between facilities be imposed. This would constitute a change from the current practice, which does not impose any limits on cheque-cashing facilities. It would also mean that cheque-cashing facilities would face zoning restrictions outside the downtown area, but not within it, since the by-law governing downtown Winnipeg, contains no such restrictions, despite having been updated within the last few years.

We understand that the genesis for this proposal lies in a recommendation brought forward by the East Kildonan-Transcona Community Committee, which was concerned – in its words – about the proliferation of money changers in the Elmwood area. The Committee recommended that money-changer types of businesses be deemed conditional use, to allow for public input – and asked that

this issue be given consideration during the comprehensive review of the Winnipeg zoning by-law.

The CPLA is concerned about this proposal on a number of fronts:

- to our knowledge, the industry has not been consulted on any aspect of it – certainly not via the CPLA or any of its members;
- we have not been presented with any data which speaks to adverse affects stemming from the location or number of cheque-cashing facilities; and
- the proposal would treat cheque-cashing facilities differently from other financial providers such as banks, in some zoning districts.

Most importantly, the draft by-law ignores the fact that after consultation with all stakeholders, the Manitoba government has introduced and passed legislation to regulate the payday loan industry and has taken action on government cheque-cashing as well, moving forward swiftly to enact regulations that would place limits on the fees charged for these services.

Before I expand on our concerns, it is important for me to provide you with some background on the industry, the CPLA, the rationale for the payday loan product, and the extensive efforts currently underway at the provincial level in Manitoba aimed at regulating the industry.

1. Background

Payday loan industry:

The payday loan industry first emerged in Canada in the mid-1990s in response to an unfulfilled consumer demand for small-sum short-term credit. These types

of small unsecured loans are typically not available through banks or other more conventional financial services institutions.

A payday loan is a small sum short-term loan, typically \$300.00 advanced for a period of 8-14 days to coincide with the payday loan customer's next payday. The product is intended to meet unexpected emergencies or short-term financial needs. These loans are unsecured and are repayable on the payday loan customer's next pay date. Our customers can obtain a payday loan quickly and without having established a long-term financial relationship as would be required with a bank, trust company or credit union.

Since payday loans were first introduced in Canada, the industry has grown to an estimated 1,251 payday loan outlets across the country. Payday loans are used by a broad spectrum of Canadians from all walks of life. It is estimated that upwards of two million Canadians have used a payday loan from time to time.

In addition to payday loans, providers offer a wide range of personal financial products and services designed to meet consumers' financial needs. These include:

- Cheque cashing services;
- Money orders;
- Money transfers;
- Private mailbox rentals;
- Utility bill payments;
- Foreign currency exchange;

- Prepaid Mastercard;
- Consumer loans;
- Mortgage referrals;
- Stored value debit cards; and
- Tax preparation and refund services.

The Canadian Payday Loan Association

The CPLA, a proud member of the Chamber of Commerce, (formerly the Canadian Association of Community Financial Services Providers) was formed in early 2004, by responsible financial service companies who offered the payday loan product. Because the payday loan product was unregulated, members of the CPLA recognized that it was important to create industry standards of business practices to protect consumers and the reputation of the industry. It was also important to have a voice to represent the interests of the industry to sectors of governments, and to ensure that CPLA members would adhere to national standards of best business practices for the industry.

Today the CPLA has 23 member companies, representing approximately 501 stores. Five of the CLPA's members operate outlets in Manitoba. These outlets are included in the list of Manitoba payday lending outlets which we have included in our materials. For your consideration, all materials are available on the Canadian Payday Loan Association website.

The growth in the payday lending industry is evidence of the pent up demand by Canadians for the payday loan product. Payday lenders have been described as "fringe banks" lumped in with businesses such as pawn shops that locate in areas that have been abandoned by banks and credit unions. This is not a fair or accurate description. Payday lenders serve mainstream Canadians. The majority

of payday loan outlets offer a suite of financial services and used by consumers who value convenience and fast service. For other consumers, these financial services represent an important and essential source of credit.

2. Regulating the payday loan industry

Following several years of joint review of the payday loan industry by the federal and provincial governments, the federal government passed landmark legislation affecting the industry – Bill C-26 – which took effect on May 3, 2007. The legislation opened the way for provinces to regulate the industry, as long as they pass consumer protection legislation and set a maximum allowable rate of borrowing. The CPLA and its members asked for this legislation, we have NOT fought against it, and are now working closely with all provinces to secure appropriate regulation that will allow responsible and serious lenders to provide these important services in a competitive environment while protecting consumers.

In anticipation of the passage of the federal legislation, the governments of Manitoba and Nova Scotia passed their required legislation late last year. The Government of Manitoba is to be commended for its leadership, as its legislation represents the first really meaningful effort by a Canadian provincial government to bring forward industry regulation.

The Manitoba legislation requires that a process be undertaken by the province's Public Utilities Board (PUB) to set maximum allowable charges and fees for both cheque-cashing and payday loan services. The PUB has already completed public hearings on cheque-cashing, and will begin hearings on fees for payday loans starting next month.

As interveners in this process, the CPLA has filed extensive evidence – nearly 100 pages' worth – with the PUB. This material provides an in-depth look at the industry in Manitoba, and will be instrumental in guiding the PUB's deliberations. For example, the CPLA commissioned Canada's leading public opinion firm, Pollara, to conduct research specific to Manitoba payday loan customers. The

CPLA understands that these are the first studies ever done that specifically survey the attitudes and opinions of a statistically-relevant number of payday loan customers in Manitoba. We have provided you with a copy of two reports prepared by Pollara; one on interviews with 350 payday loan customers, and one on two focus groups that were conducted – all in September.

As this evidence indicates, Manitobans use payday loans for many reasons to meet their short term needs. They are borrowing against their current income, not their future income as is the case with a mortgage or car loan. They are aware of the cost of the loan in dollars and cents. While payday loans are not inexpensive (because they are costly to provide), our members' customers tell us that obtaining a payday loan is an intentional and rational choice.

We have also provided you with a copy of a report by planning staff of the City of Vancouver, referred to earlier today by your fellow councilor as a beautiful city, who examined the number and location of payday lending businesses, and specifically the question of whether additional policy was needed to guide future land use decisions for such businesses. All existing businesses providing payday loans were operating as outright uses in commercially zoned areas. Staff concluded – and Council concurred – that there were no land use concerns, that no zoning or licensing policy changes were required, and that these businesses were providing a valuable service to local residents. What they did recommend, however, was that the City push federal and provincial governments to protect consumers by regulating the payday loan industry – and as I've already mentioned, the Manitoba government was the first to take action in this regard.

Payday loan outlets are located where Canadians live and work. Unlike pawnshops, they do not target low income areas. The situation in Winnipeg, where 52 of the approximately 67 payday loan outlets in Manitoba are located, is similar. Payday lending outlets are located in all geographic and economic areas

of the City. 77 percent of the Winnipeg outlets are located in areas with average annual household incomes of \$35,000 and greater.

A majority (52 percent) are located in areas with average annual household incomes higher than \$45,000. Only 12 percent of outlets are located areas where average annual household incomes are \$25,000 or less. A map illustrating payday loan outlet locations and average household income areas in Winnipeg is included in our materials, as is the list of Manitoba payday lenders which I referred to earlier.

3. CPLA Concerns

As I indicated earlier, we are concerned over the lack of consultation on this proposal, and an apparent lack of data and rationale to support it. As the material in front of you clearly demonstrates, the CPLA is able to present extensive data on the industry and its operations, yet was not asked to provide information, or brought into the consultations on the proposed by-law.

Also, in examining the draft by-law, we note that cheque-cashing facilities would be placed on a different footing than other financial service providers under the personal services category. Specifically, we understand that the by-law proposes that the following three zoning areas would allow financial providers such as banks and credit unions as a permitted use, while prohibiting cheque-cashing facilities:

- RMU (residential mixed use)
- C1 (commercial neighbourhood)
- CMU (commercial mixed use)

This holds true for retail sales facilities, which would be permitted in the same three zoning districts in which cheque-cashing facilities would be prohibited. For the commercial and manufacturing zoning areas in which cheque-cashing would

be allowed, it would only be on a conditional basis, meaning that approval must be sought for each facility through a public hearing, and facilities could not be located within 1,000 feet of one another.

We question why the City would put in place measures intended to restrict the number of cheque-cashing facilities, when the evidence demonstrates that our businesses are responding to consumer need and demand. We are also very concerned that this process is proceeding in a way that appears to ignore the extensive process underway at the provincial government level, which is moving swiftly to regulate the payday loan industry, and to deal with fees charged for government cheque-cashing and payday loans. The facilities you are seeking to limit will very soon be under provincial regulation. Both the PUB process referred to above, and the review carried out by the City of Vancouver have involved a detailed examination of the industry – an approach we are not seeing here.

As Committee members are no doubt aware, the payday loan product is a relatively new business – and there are many misconceptions about the industry.

We ask that you remove those elements of the draft by-law that deal with cheque-cashing facilities, in order to allow for a comprehensive examination of the industry in Winnipeg – similar to that undertaken by the City of Vancouver. We suggest that at a minimum, this should include:

- Information on payday loan customers (the Pollara and Environics reports);
- The CPLA's code of best business practices;
- Information on the role and mandate of the industry's arms length Ethics and Integrity Commissioner;

- the Manitoba payday loan legislation and related regulations; and
- a review of any and all complaints received by the City against the industry;

We are pleased to have provided you with copies of the relevant materials, and believe that a thorough examination of them will allay any concerns that councilors may have about the industry.

We look forward to your comments, and would appreciate the opportunity to work with...partner with this Committee and City staff to assist in carrying out the type of review we have requested.

Thank you again for this opportunity.