



News Release

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For immediate release

Province Introduces Payday Loans Act

Office of the Attorney General

A bill that will regulate payday lenders in the province was introduced in the PEI legislature today.

"In the fall, we invited the public to comment on this issue," said Premier Robert Ghiz, "and the response clearly indicated that Islanders want these lenders to be regulated. I am very pleased that we have been able to move forward quickly and introduce this new legislation in the spring session."

Payday lenders, who have moved into the province and are now operating store fronts in a number of Island communities, are not currently regulated by the province. A payday loan is a short-term loan for a relatively small amount to be repaid on the borrower's next payday. Generally, the borrower writes a post-dated cheque for the principal, plus interest and fees. A typical payday loan might involve a loan for \$200 cash with a \$275 repayment due two weeks later. This would represent an annual cost of borrowing close to 1000%.

The Payday Loans Act was introduced today by Attorney General Gerard Greenan. "Our legislative model adopts a comprehensive approach," said Minister Greenan, "and will provide the province with the tools necessary to regulate the industry effectively."

The new Act will set a maximum interest rate through regulations, will require that the lender fully disclose all costs of the loan, will allow borrowers a two-day "cooling off" period, and will require that one loan be paid off before additional loans can be taken out.

"As we all know, these are challenging economic times," said Minister Greenan. "It is important that consumers are clearly informed about credit costs and protected from improper business practices."

BACKGROUNDER ON PAYDAY LOANS ACT

- Payday loans represent a relatively high cost form of short term credit. Currently, there are approximately 1350 storefront outlets operating across Canada. A number of storefronts have been operating in Prince Edward Island for the past five to seven years.
- A typical payday loan would involve a cash payment to the borrower of \$200 with repayment of \$275 two weeks later. This would represent an annual cost of borrowing close to 1000%. Under the Criminal Code, the maximum annual cost of borrowing on a loan is 60%.

- Recent amendments to the Criminal Code provide that provinces with appropriate legislative protections in place may be designated to allow payday lenders to charge rates in excess of 60%.
- Certain provinces have or are in the process of enacting consumer protection legislation specific to the payday loan industry:
 - Newfoundland & Labrador - General consumer protection legislation.
 - New Brunswick - Bill 4, An Act Respecting Payday Loans, enacted April, 2008 (Not yet proclaimed).
 - Nova Scotia - Bill 87, An Act to Amend the Consumer Protection Act, enacted November, 2006 (Not yet proclaimed). As recommended by the Nova Scotia Utilities and Review Board, Nova Scotia proposes to set maximum cost of borrowing charges at \$31 per \$100 borrowed.
 - Ontario - Payday Loans Act (Not yet proclaimed). Ontario Payday Loans Act Regulation (Commencement in part on April 1, 2009). As per the Ontario's Payday Loans Act Regulation, Ontario proposes to set maximum cost of borrowing charges at \$21 per \$100 borrowed.
 - Quebec - For many years, the Office de la protection du consommateur has refused to issue permits under the Consumer Protection Act to businesses that charge interest rates greater than 35% per annum.
 - Manitoba - The Consumer Protection Amendment Act (Payday Loans), enacted December, 2006 (Proclaimed in force). Cost of borrowing now to be set by Regulation.
 - Saskatchewan - Bill 43, An Act Respecting Payday Loan Agreements, Payday Lenders and Borrowers, enacted May, 2007 (Not yet proclaimed).
 - Alberta - General consumer protection legislation. Initial consultation process complete.
 - British Columbia - Bill 27, Business Practices and Consumer Protection (Payday Loans) Amendment Act, enacted November 22, 2007 (Not yet proclaimed). British Columbia proposes to set maximum cost of borrowing charges at \$23 per \$100 borrowed.
 - Northwest Territories - General consumer protection legislation.
 - Yukon - General consumer protection legislation.
 - Nunavut - General consumer protection legislation.
- Prince Edward Island published a consultation paper in the fall of 2008 requesting Islanders provide comments. The Office of the Attorney General received ten written comments, and all recommended that the province do something to regulate the industry. The majority of comments recommended that we go forward with the proposed legislative model.
- The Prince Edward Island legislative model adopts a comprehensive approach to regulating the industry. It will:

- set a maximum interest rate through regulations,
- require that the lender fully disclose all costs of the loan,
- allow the borrower to have a two-day "cooling off" period, and
- require one loan to be paid off before additional loans can be taken out.

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