

POLLARA 

Payday Loan Customer Survey
~ Alberta ~

Presented to:
Canadian Payday Loan Association
September 2008

Methodology

- The Canadian Payday Loan Association (CPLA) commissioned POLLARA to conduct a telephone survey of payday loan customers in Alberta to develop an understanding of payday loan customers' perceptions of the payday loan industry.
- Lists of payday loan customers were provided by CPLA members. In total, 33,749 usable records were provided for this study.
- POLLARA conducted a total of 401 telephone interviews with payday loan customers in Alberta between August 28th and September 5th, 2008, resulting in an overall margin of error of plus or minus 4.9%, nineteen times out of twenty.

Key Findings

Impression Ratings

- Respondent payday loan customers have lower overall impressions of payday loan companies (5.5 on a 1 to 10 point scale) than banks and credit unions (6.6 and 6.1 respectively). Credit card companies receive the lowest average impression rating (5.1).
- In contrast, payday loan providers rank higher than banks or credit unions on six of seven positive attributes tested. More than three-quarters of respondent payday loan customers in Alberta think “long hours of operation” (80%), “fast” (78%), and “convenient” (77%) describe payday loan providers, compared to other financial institutions.

Fees

- Similar proportions of payday loan customers feel they are aware of the fees associated with four different financial products they hold. Seven-in-ten customers are aware of the fees associated with their home mortgage (72%) and major credit card (68%), while two-thirds are aware of the fees associated with their payday loan (66%) and chequing or savings account (65%).

Key Findings

Satisfaction with Payday Loan Experience

- Payday loan customers are highly satisfied with their understanding of the terms of their payday loan and when payment on the loan was due (8.5 on a 1 to 10 point scale).
- Other factors receiving a high satisfaction rating include: treatment by the customer service representative who provided the loan (8.4) and the overall customer service experience (8.1).
- Respondent payday loan customers were least satisfied with the total cost of the payday loan, including interest and administration fees (5.9).

Motivators and Usage

- Over one-half (54%) of respondent payday loan customers in Alberta say they would use a payday advance or payday loan company if they needed \$300 a few days before their next payday.
- One-half of respondent payday loan customers say the main attraction of a payday loan over other financial products is that it is a quick and easy process (48%), while one-quarter say it is due to a more convenient location (24%). Only 15% of respondent payday loan customers use payday loans because they have no alternative source for borrowing.
- The most common reason for securing a payday loan was to obtain “emergency” cash to pay for some necessities (42%).
- The large majority (82%) of respondent payday loan customers say they paid back all of the loans they have obtained in the past on time, while 13% report that they paid most of the loans back on time.

Key Findings

Profile of Payday Loan Customers in Alberta

- The majority are employed full-time (79%).
- More than one-half (55%) of payday loan customers have a post-secondary education from community college (31%), university (16%) or post-graduate/professional programs (8%).
- Almost one-half (46%) are married or living together common-law, while 19% are separated or divorced and 32% have never married.
- Households of payday loan customers are largely comprised of adults. Three-in-five (62%) live in households with no children under the age of 10, and two-thirds (66%) say they do not have any children ages 10 to 17 in their households.
- Only 7% of payday loan customers reported an annual household income of less than \$25,000, compared to 15% of the general Alberta population. However, about one-half (53%) of respondent payday loan customers have annual household incomes of \$50,000 or higher, compared to 62% of the general population.
- The average amount of money that respondent payday loan customers in Alberta currently owe to financial institutions, excluding mortgages, is \$28,230.12.
- One-half (49%) of payday loan customer respondents would usually borrow \$300 or less when obtaining a payday loan. They would expect to pay, on average, \$31.31 for interest and administration fees to borrow \$100 for two weeks.
- Almost all payday loan customers currently have a debit card (97%) and a chequing account at a bank or credit union (94%). Seven-in-ten (69%) have a savings account at a bank or credit union and almost two-thirds (63%) have a major credit card.

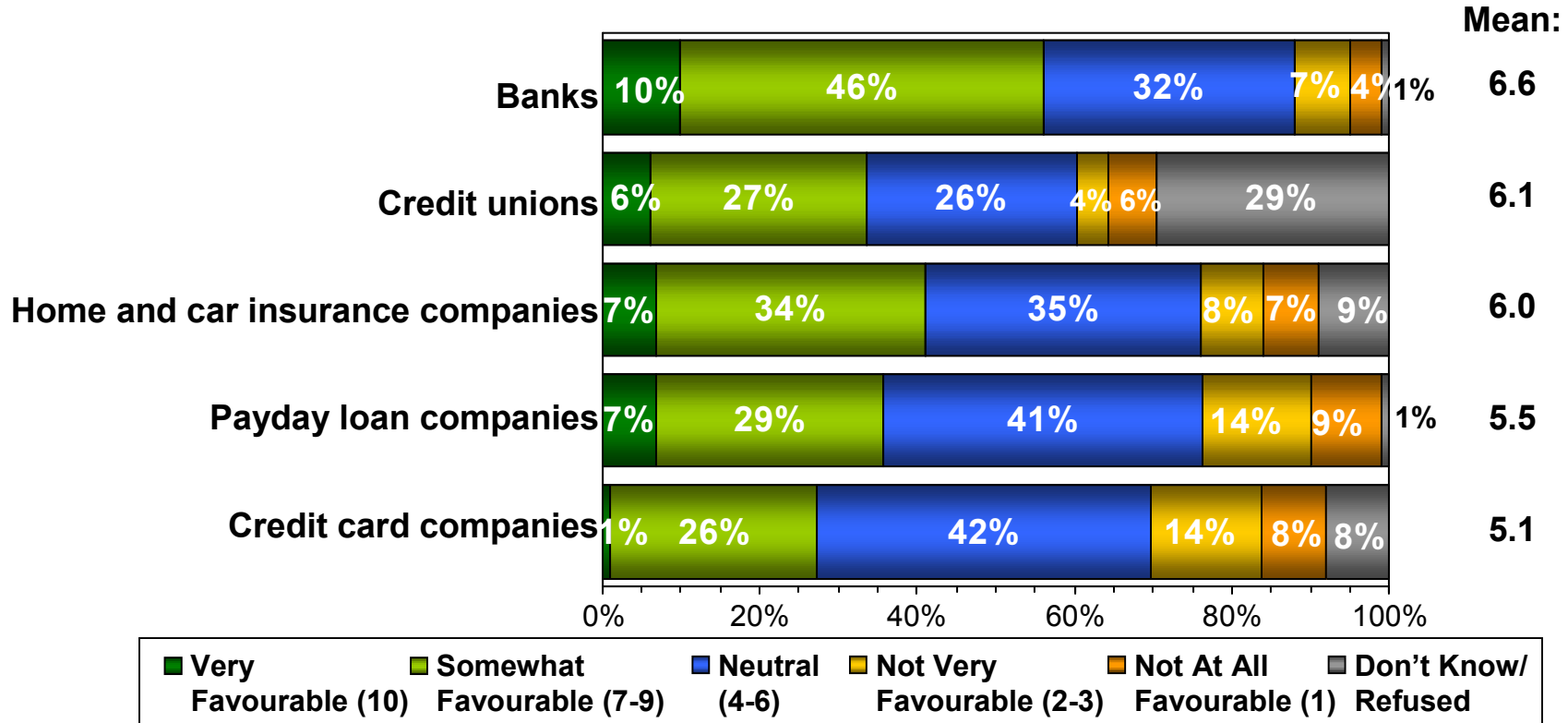


**Context:
Impressions and Knowledge**



Overall Impression Ratings of Financial Institutions

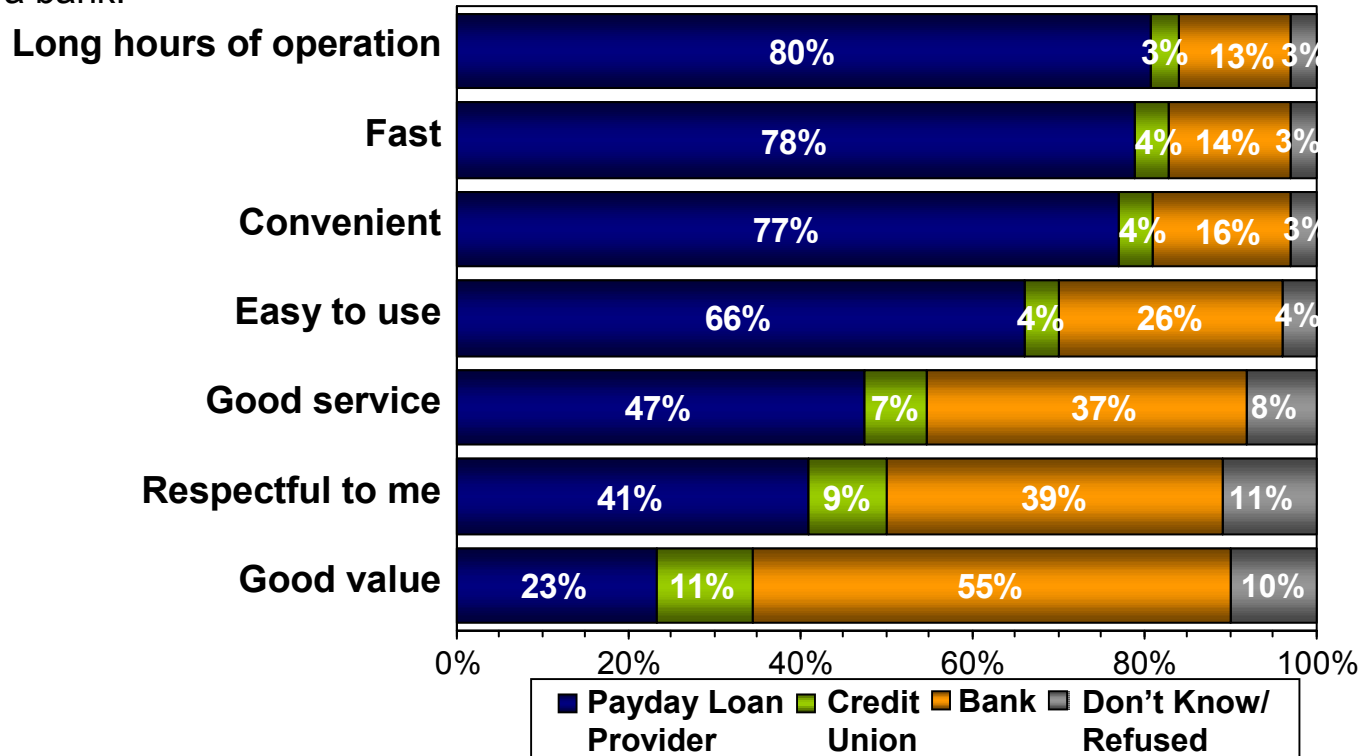
- On average, payday loan customers rate their impressions of payday loan companies lower than other businesses tested, with the exception of credit card companies.
- Payday loan companies receive an average impression rating of 5.5 out of 10, while banks receive the highest average impression rating at 6.6, and credit card companies receive the lowest rating of 5.1.



Q3-7. I'd like to ask you some questions about different kinds of companies in Canada. Using a scale of 1 to 10, where one is "not at all favourable" and ten is "very favourable", how would you rate your impression of each of the following groups of businesses in Canada? (READ AND ROTATE)

Attributes of Financial Institutions

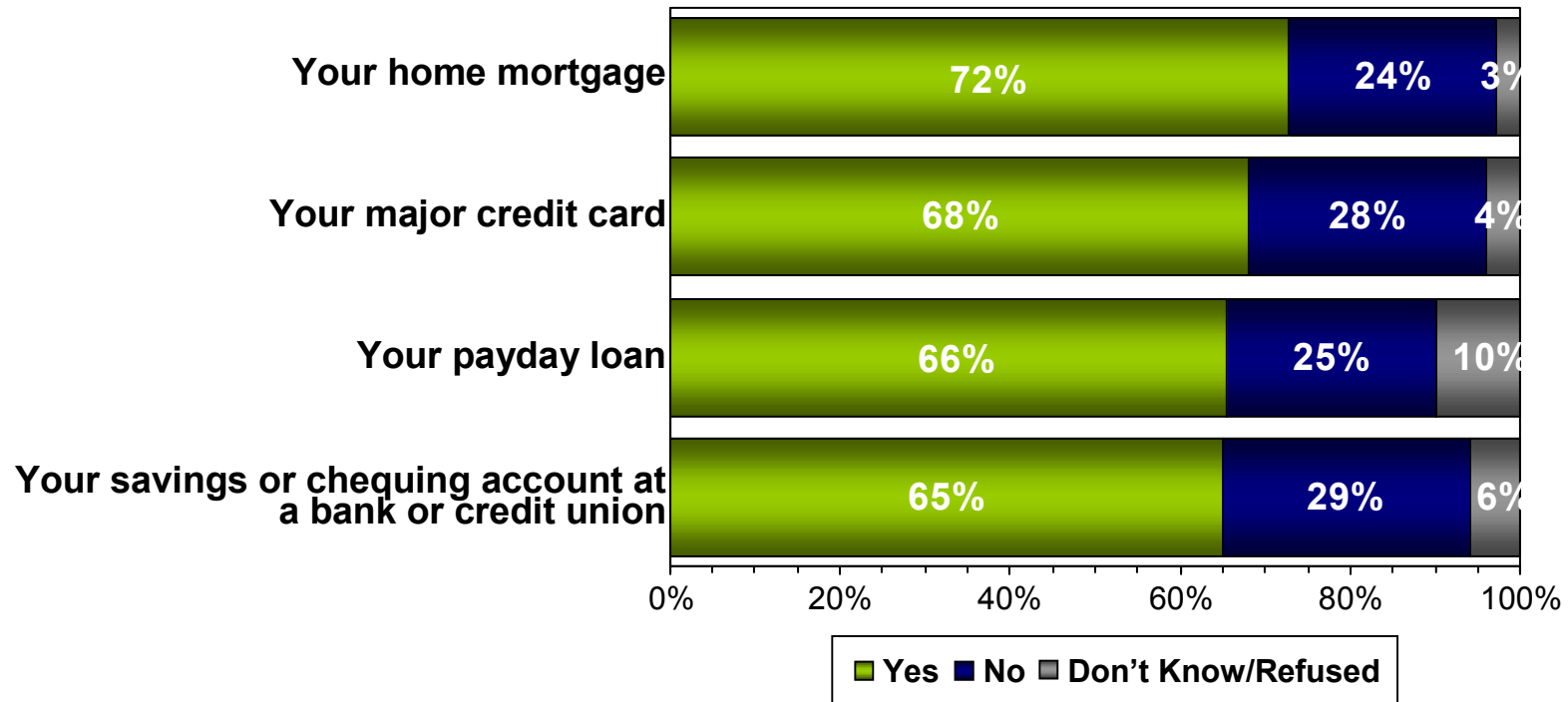
- Payday loan providers rank higher than banks or credit unions on six of seven positive attributes tested. More than two-thirds of respondent payday loan customers in Alberta think “long hours of operation” (80%), “fast” (78%), “convenient” (77%), and “easy to use” (66%) are attributes that best describe payday loan providers, compared to other financial institutions.
- Over one-half (55%) of respondent payday loan customers feel that the attribute “good value” best describes a bank.



Q35-41. (READ AND ASK ALL) Now I would like you to think about three types of companies that offer cash advances or loans, namely, banks, credit unions, and payday loan providers. I am going to read you a list of attributes that you might consider when getting a cash advance or short-term loan, and I would like you to tell me which of the three providers you think is best described by the attribute. (READ AND ROTATE)

Knowledge of Fee Payment

- The majority of respondent payday loan customers report that they are aware of the amount they pay for all fees, including administration fees and interest charges on their home mortgages (72%), major credit cards (68%), payday loans (66%), and savings or chequing accounts (65%).



Q20-23. Thinking about the various financial products that you hold, do you know the approximate amount that you pay for all fees, including administration fees and interest charges on...? (READ AND ROTATE; What about on...?)

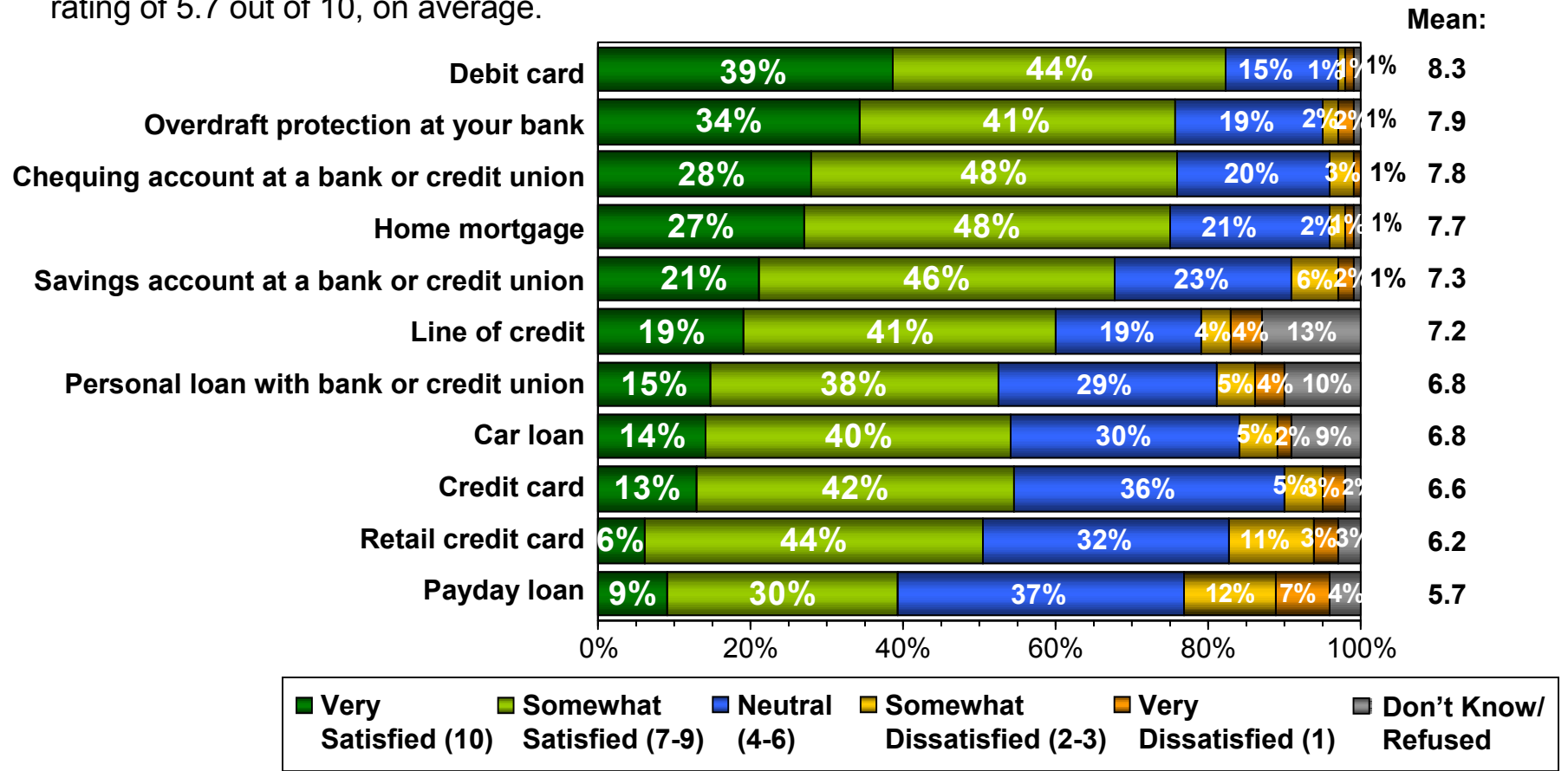


Satisfaction Ratings



Satisfaction with Financial Services & Products

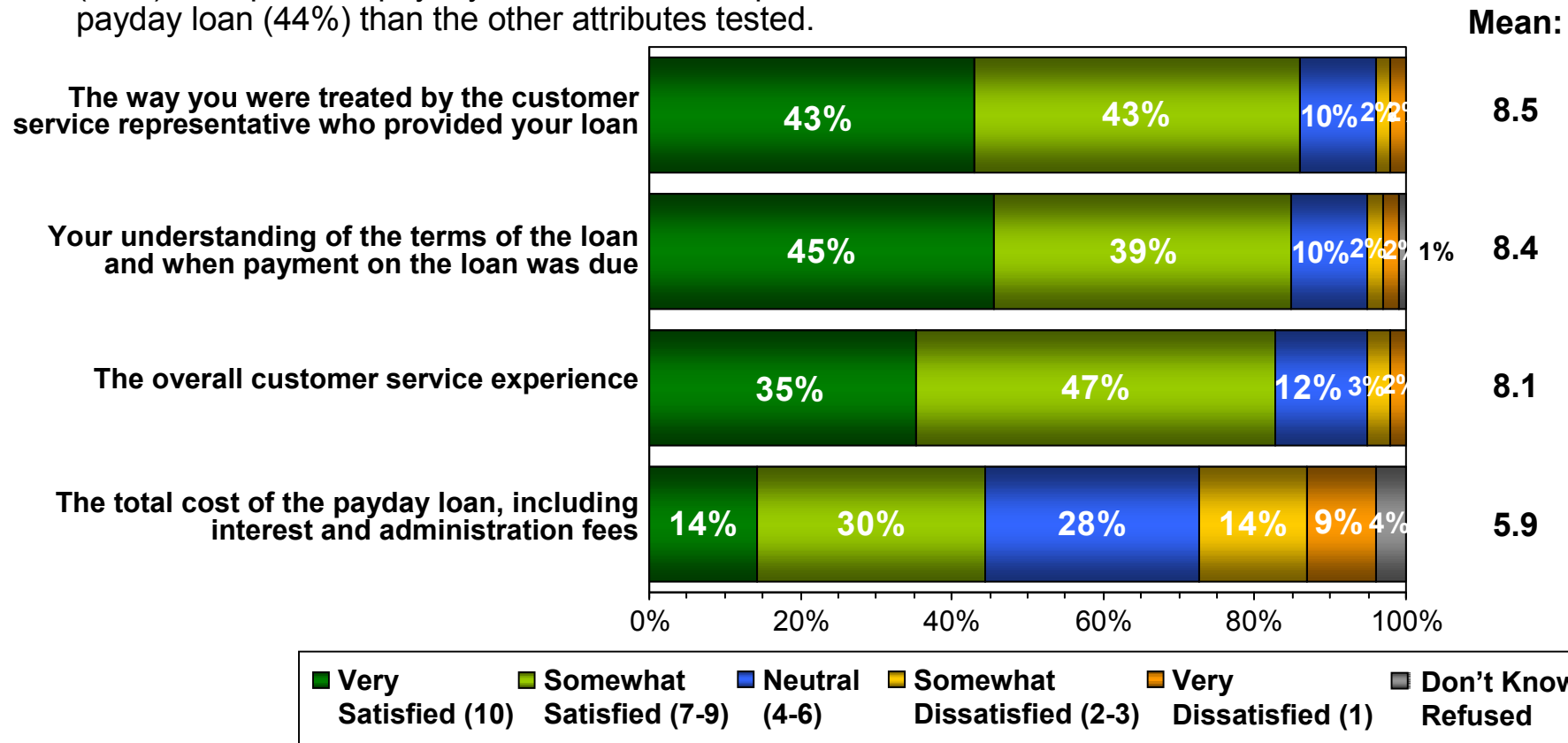
- Payday loan customers in Alberta report the greatest satisfaction with their debit card (giving it an average rating of 8.3 out of 10).
- Payday loans ranks the lowest in comparison to other financial products evaluated, with an impression rating of 5.7 out of 10, on average.



Q9-19. Thinking about the following financial products or services overall, please tell me how satisfied are you with each product or service that you use? Please use a scale from one to ten where 1 means you are "very dissatisfied" and 10 means you are "very satisfied" with the product or service. (READ AND ROTATE)

Satisfaction with Payday Loan Experience

- The vast majority of respondents say they are satisfied with the way they were treated by the customer service representative who provided their loan (86%), while a similar proportion report being satisfied with their understanding of the terms of their payday loan and when payment on the loan was due (84%). Respondent payday loan customers report much less satisfaction with the total cost of the payday loan (44%) than the other attributes tested.



Q31-34. Thinking about the payday loan that you last received, please indicate your overall satisfaction with each of the following attributes. Please use a scale from 1 to 10 where 1 means you are "very dissatisfied" and 10 means you are "very satisfied". (READ AND ROTATE)

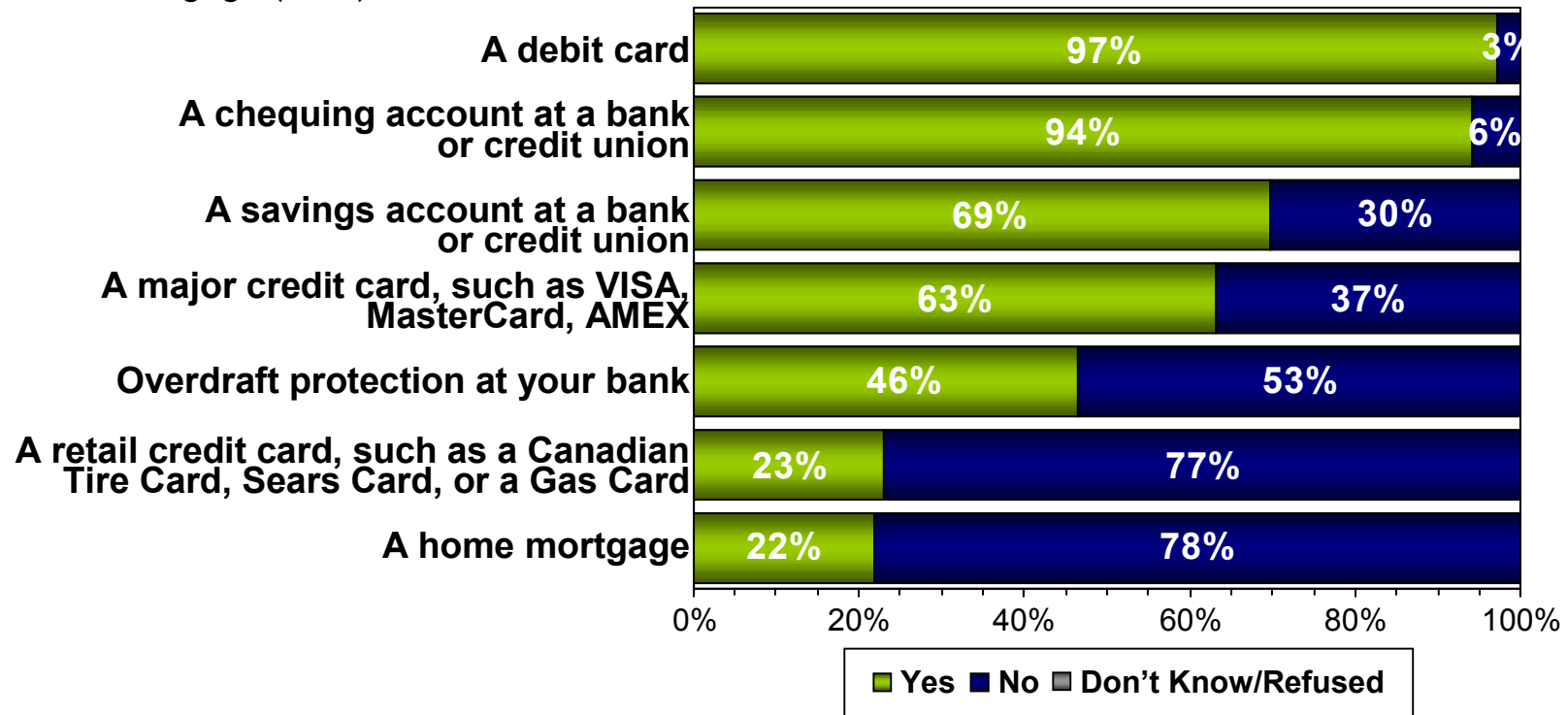


Payday Loans: Motivators and Usage



Current Usage: Financial Products or Services

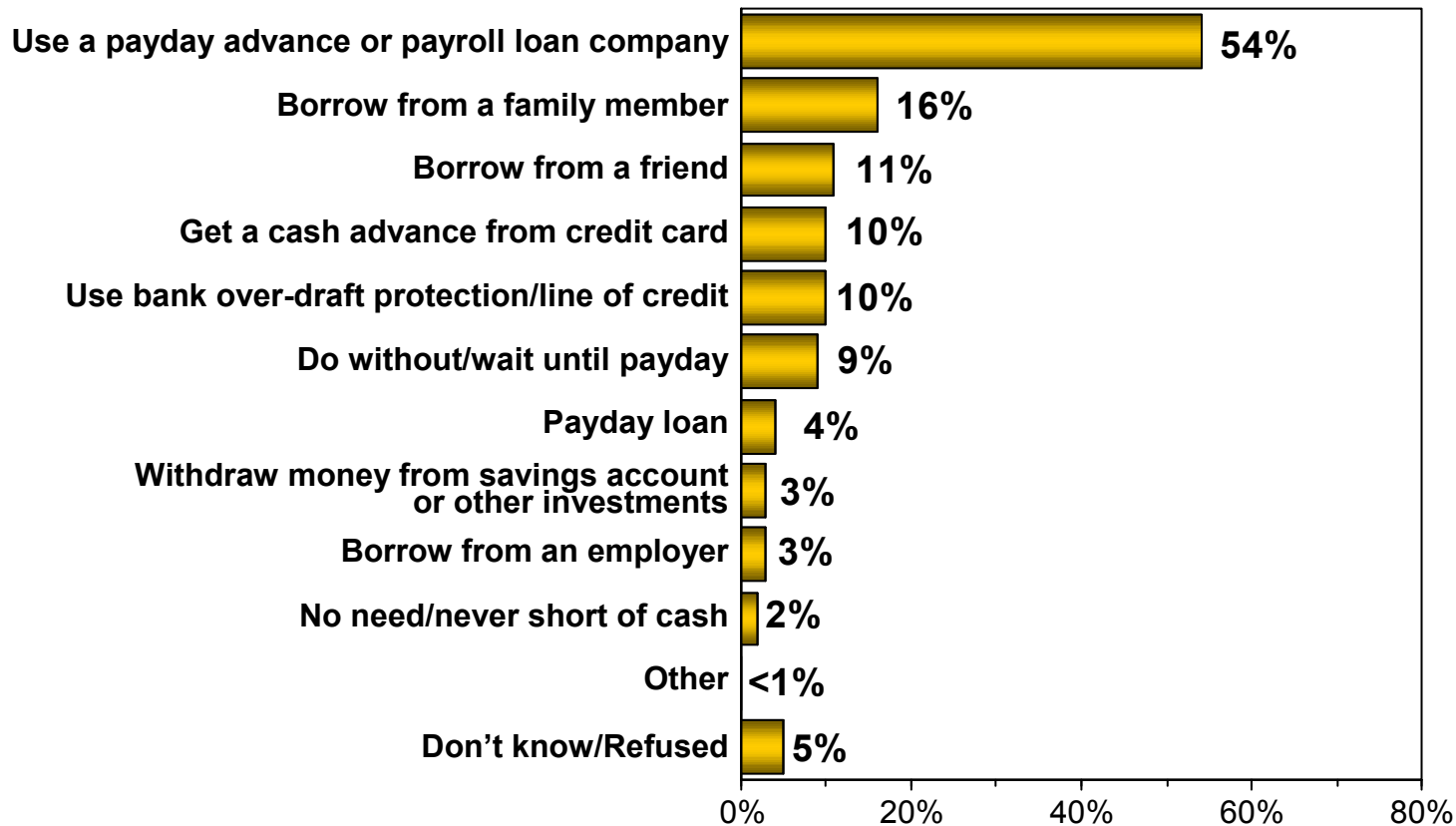
- Almost all payday loan customers currently have a debit card (97%) and a chequing account at a bank or credit union (94%). Seven-in-ten (69%) have a savings account at a bank or credit union and almost two-thirds (63%) have a major credit card.
- Currently less than one-quarter of payday loan customers in Alberta have a retail credit card (23%) or a home mortgage (22%).



Q8. Which of the following financial products or services do you currently have? (READ AND ROTATE LIST; ALLOW MULTIPLE MENTIONS)

Solution to Short Term Financial Need

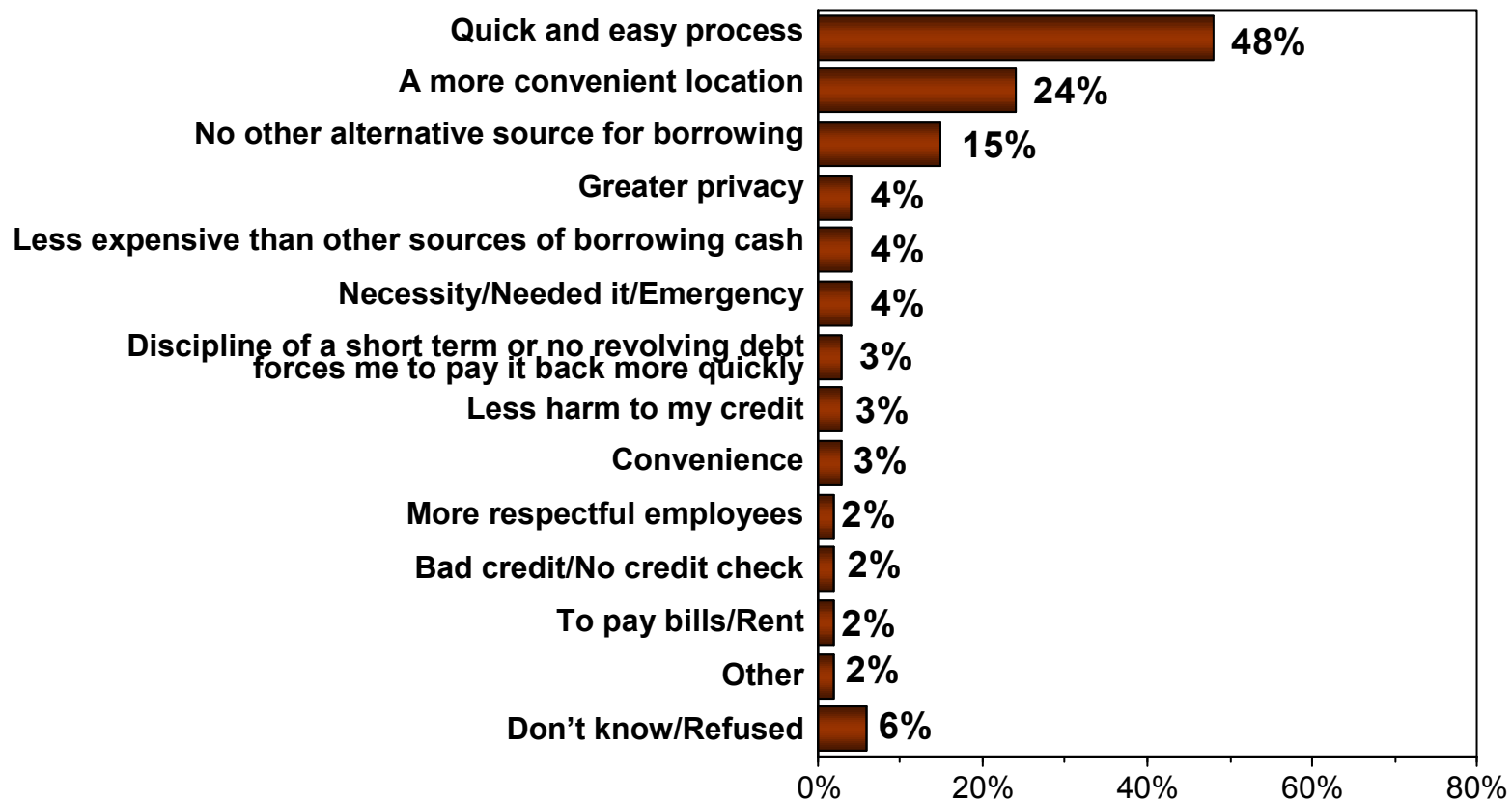
- One-half (54%) of respondent payday loan customers in Alberta say that they would use a payday advance or payroll loan company if they needed \$300 a few days before their next payday.
- Over one-quarter (27%) say they would borrow the money from a family member (16%) or a friend (11%).



Q25. If you needed, say, \$300 a few days before your next payday, what would you do? (DO NOT READ; PROBE: "Is there anything else?"; ALLOW MULTIPLE MENTIONS)

Reason to Choose Payday Loan

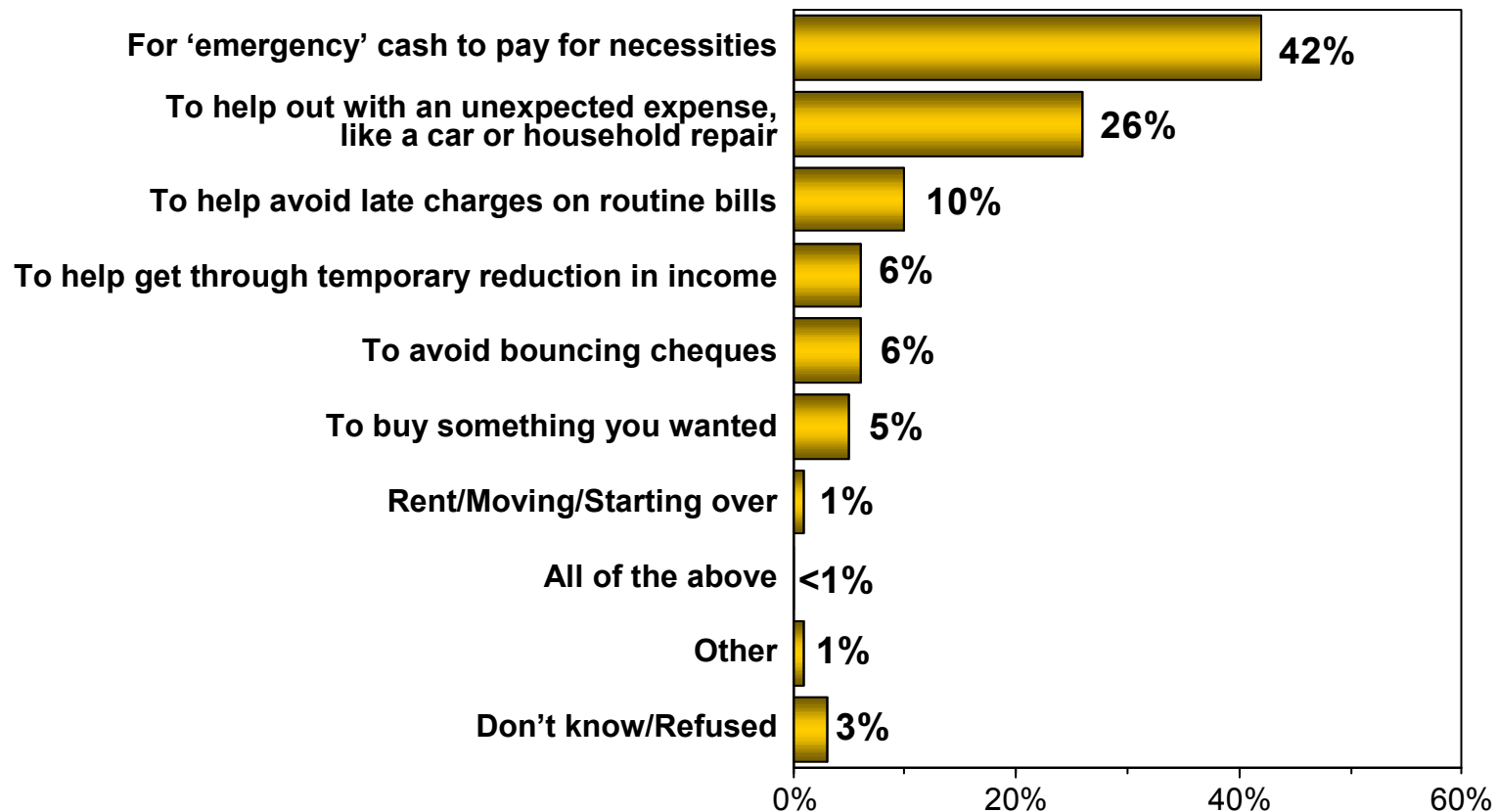
- One-half (48%) of respondent payday loan customers say the main reason for choosing a payday loan over other financial products or services in the past is due to it being a quick and easy process, while one-quarter (24%) say it is due to a more convenient location.
- Only 15% choose a payday loan because they have no alternative source for borrowing.



Q27. *There are many reasons why people choose to obtain a payday loans instead of getting other financial products or services. What was the most important reason you chose to obtain a payday loan in the past rather than using another source of financing? (DO NOT READ LIST; PROBE: Any other reasons?)*

Reasons Payday Loan is Needed

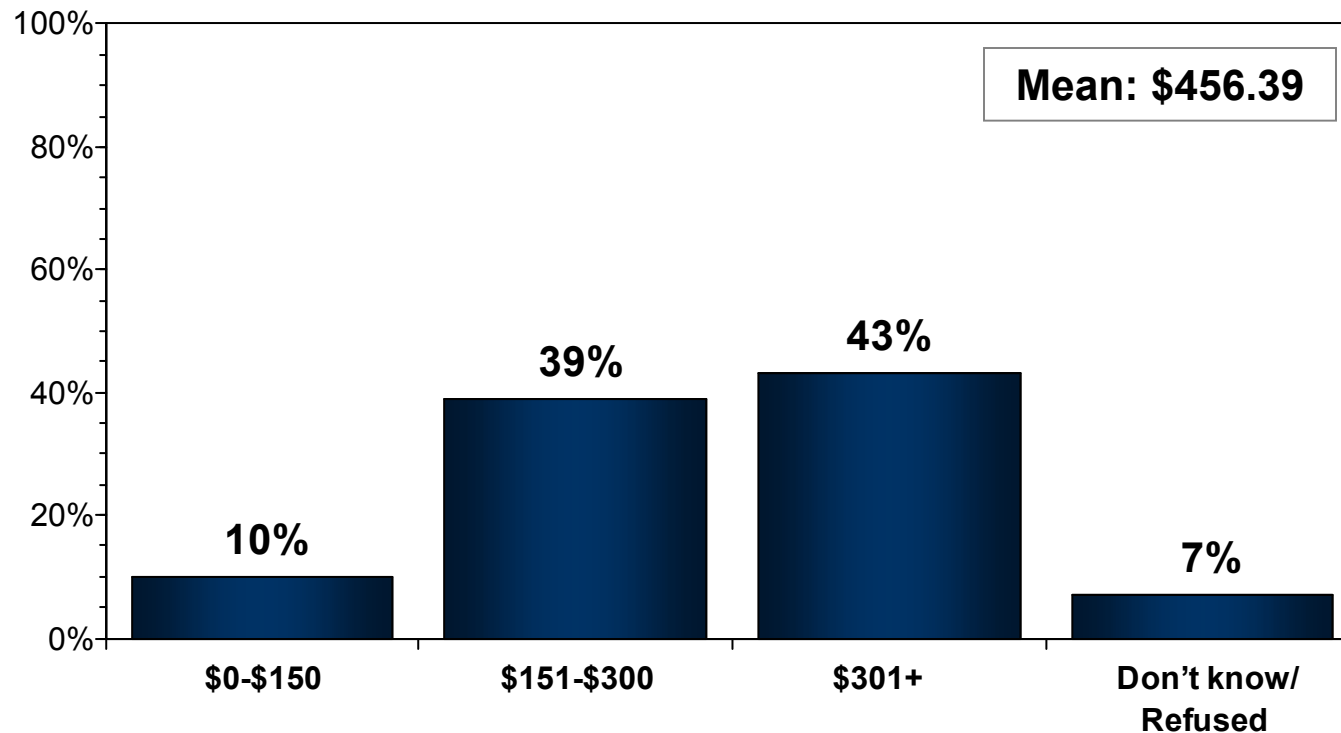
- Two-in-five (42%) respondent payday loan customers in Alberta report that the main reason they obtained a payday loan was for “emergency” cash to pay for necessities, and one-quarter (26%) say it was to help out with an unexpected expense such as a car repair or household expense.



Q28. Which of the following was the main reason why you needed a payday loan? (READ LIST)

Amount Normally Borrowed with Payday Loans

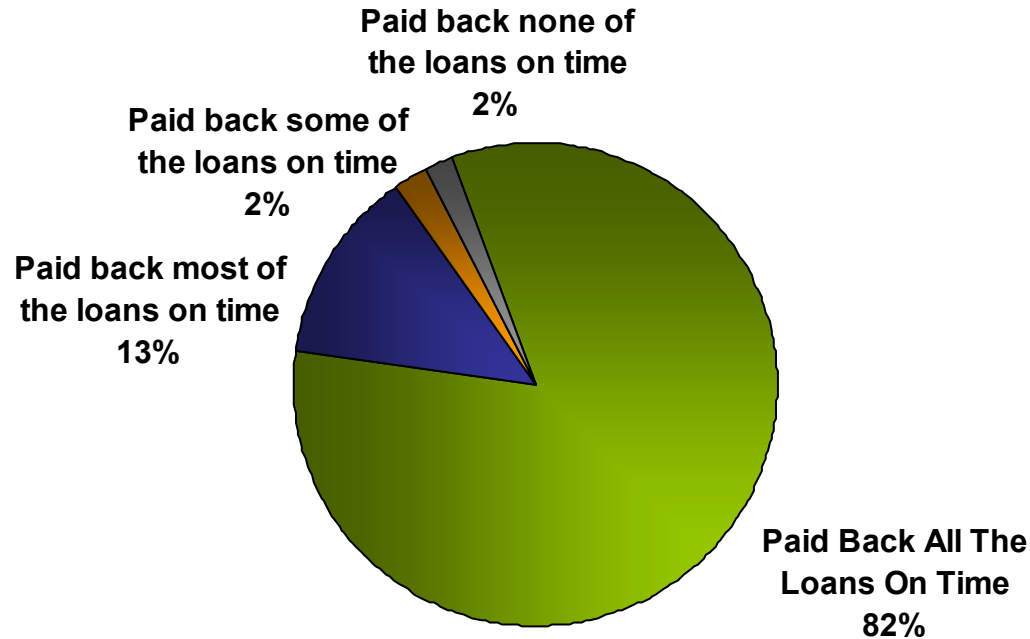
- Respondent payday loan customers usually borrow an average of \$456.39 when they get a payday loan.



Q29. On average, how much money do you normally borrow when you get a payday loan? (RECORD NUMBER IN DOLLAR AMOUNTS ONLY, NO CENTS)

Payday Loan Payments

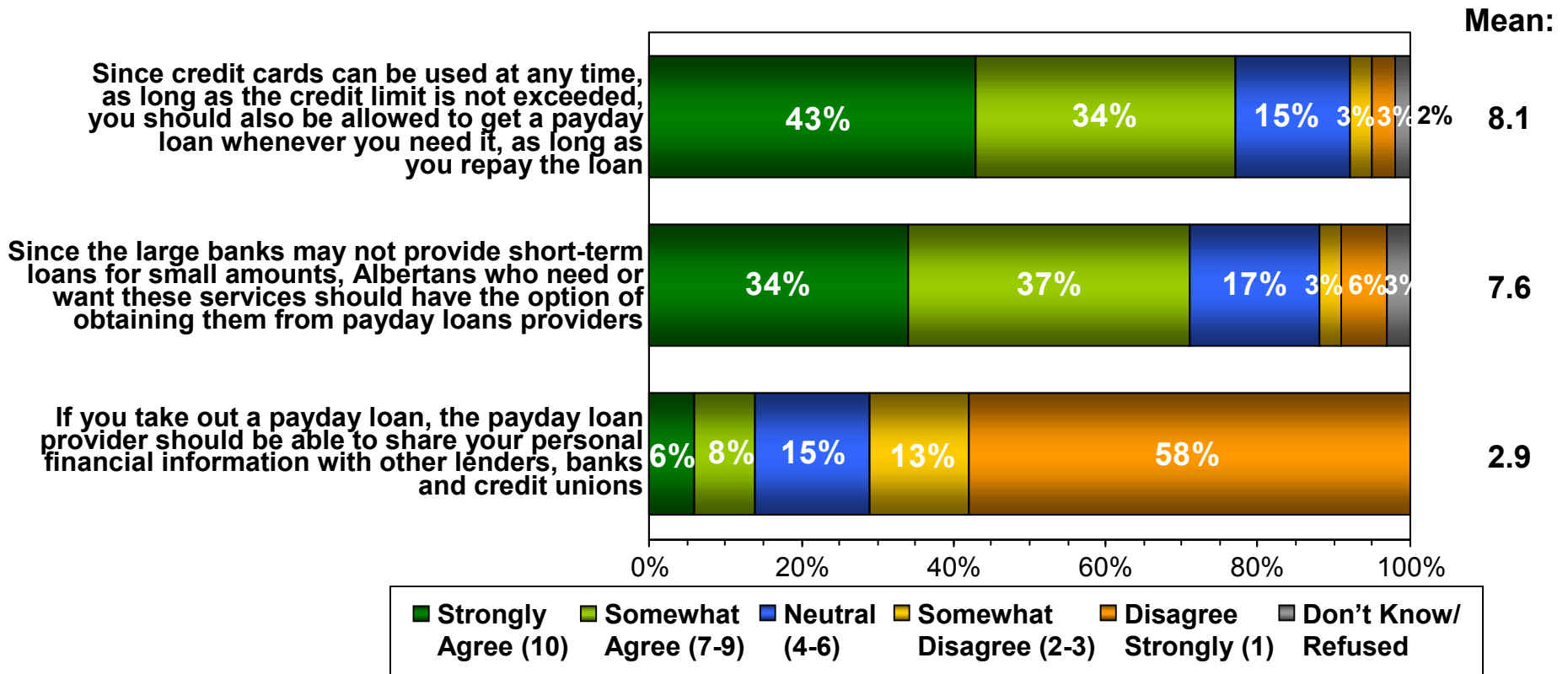
- Nearly all (95%) respondent payday loan customers report having paid all (82%) or most (13%) of their loans back on time in the past.



Q30. *Thinking about all the payday loans you received in the past, did you pay back all, most, some, or none of the loans back on time?*

Payday Loans & Related Issues

- More than three-quarters (77%) of respondent payday loan customers agree that they should also be able to get a payday loan whenever they need it, as long as their credit limit is not exceeded and the loan is repaid on time. Seven-in-ten (71%) also agree that as banks may not provide short-term loans for small amounts, Canadians who need or want these services should have the option of obtaining them from payday loans providers.



Q42-44. I'm going to read you a list of statements. For each, please indicate whether you agree or disagree, using a scale from one to ten where one means you "disagree strongly" and ten means you "agree strongly". (READ AND ROTATE)

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