

OPENING STATEMENT

THE HONOURABLE STAN KEYES, P.C.

President, Canadian Payday Loan Association

Good morning Mr. Chair, Members of the Board, thank you for the opportunity to provide comments on the CPLA evidence filed in this proceeding.

My name is Stan Keyes and I am President of the Canadian Payday Loan Association. Joining me is Mr. Norm Bishop, Secretary to the CPLA.

Mr. Bishop and I intend to provide you with an overview of CPLA evidence. We would also like to recognize the expert witnesses we have retained to assist us in this proceeding. They are: Dr. Larry Gould, Professor of Finance at the University of Manitoba, who will be testifying later today and is in attendance; Mr. Dean Schinkel of Deloitte Touché will also be testifying this week; and Mr. Mike Marzolini who is chairman of Canada's leading public opinion survey company Pollara, who will be available on Wednesday to testify.

I would like to begin by providing a few words about the Canadian Payday Loan Association. The CPLA represents all sizes of lenders in this vibrant industry from the smallest to the largest. We represent twenty-one (21) companies with five hundred one (501) retail financial service outlets in rural and urban communities right across Canada. In Nova Scotia, the CPLA currently represents one company with six (6) outlets.

Our mandate as an association is to introduce consumer protection through our code of best business practices and advocate for balanced regulation of the industry. Our members support regulation that fosters a viable competitive industry with strong consumer protection in order to provide services to those two (2) million Canadians who have used payday loans.

We believe in educated, informed consumers making informed decisions about their own money. What binds our members together is a commitment to voluntarily submit to a tough code of best business practices and independent oversight. It is the most stringent code for payday lenders anywhere and we are very proud of it.

Our independent ethics and integrity commissioner monitors compliance with our code, conduct's regular mystery shopping of our Member's stores and has the authority to fine our members up to thirty thousand dollars (\$30,000) per infraction of our code.

The Office of the Independent Ethics and Integrity Commissioner was created by the CPLA close to two (2) years ago to ensure compliance with the code by our members. The commissioner has a full-time compliance officer who receives complaints from customers and recommends an investigation where required. This officer also seeks redress of complaints that are received from non-members.

The commissioner conducts random nationwide mystery shops on members to verify compliance of the code.

The mystery shopping conducted by the commissioner is done independently by trained individuals who specifically look at members business practices to ensure that the code of conduct is followed. Notably, some provincial consumer protection officers now refer all complaints they receive regarding payday loans to the commissioners office directly.

As you can imagine, there are a number of payday loan companies that have chosen not to join the Association, in part (perhaps) because of the CPLA's onerous but important conditions of membership.

The CPLA is the only national association that has worked closely with governments to introduce legislation and rules that protect

consumers yet make sense for the industry. We have been leading the call for legislation and regulations, not fighting it.

We continue to work closely with the Government of Nova Scotia and applaud them for their leadership in being the first province in the country to pass consumer protection legislation and for launching hearings to set maximum allowable fees for the cost of borrowing.

We see that the CPLA's code of best business practices is reflected Nova Scotia's legislation. We have filed our code with the Board as part of our evidence. Permit me to highlight eight (8) of the eighteen (18) specific consumer protection measures that our members currently follow.

First, rollovers are prohibited. A Member will not grant a customer an extension of an outstanding payday loan for a fee or advance a new payday loan to pay out their existing payday loan.

Second, Disclosure. A Member must use plain language in their documentation, will disclose all the fees, costs and interest in a clear manner and will prominently indicate the high-cost nature of the payday loan on all loan documentation.

Third, Default charges. CPLA Members may not charge a penalty fee and/or NSF fee that in total exceeds an amount set from time to time by the Association, which is currently forty dollars (\$40). Interest on each one hundred dollars (\$100) of a Payday loan in default will

not exceed ninety (90) cents per week for the first thirteen (13) weeks and fifty (50) cents per week thereafter.

Fourth, Collateral. CPLA Members may not take title to chattels or assets of a borrower as security for repayment of payday loans.

Fifth, Right to Rescind. Customers have the right to rescind a payday loan at no cost on or before the close of the following business day.

Sixth, Collection Practises. Members are prohibited from taking an assignment of wages.

Seventh, Certain Customers. A member can not grant payday loans to customers on the basis of social assistance payments received by that customer.

And an Eighth point of the CPLA 18-point Code speaks to Credit Counselling. Credit counselling services are available to consumers in Nova Scotia. Every member must have credit counselling brochures prominently displayed in their lobby. A Member must advise customers who have defaulted twice within one year of credit counselling services, and offer to forgo accrual of interest if the customer obtains credit counselling.

The CPLA strongly believes in an educated consumer, and we remain committed to continually increasing consumer awareness of available credit counselling assistance programs, provide standardized information to consumers about their rights, and set fees that are well published.

The evidence provided to the CPLA by Canada's leading polling firm, Pollara which has been filed in this Hearing, represents the first-ever statistically-relevant data collected on payday loan customers in Canada. It clearly indicates that customers are educated, informed, and deliberate in choosing the payday loan product. They consciously choose a payday loan even where they may have available credit options at banks and at credit unions. Customers want the convenience of borrowing small sums of money for short periods of time. And they pay their loans back on time.

Let there be no doubt that there are examples of payday loan customers who have been taken advantage of by unscrupulous payday loan companies that gouge the consumer, but this is not the experience for the majority of customers. I understand the attraction for the media and long-time critics of the industry who point to the worst and most abused payday loan customer, but I would ask everyone to closely consider our evidence, including Pollara's ground-breaking surveys.

The membership of the CPLA met in January 2007 to discuss the future of the industry under regulation. After many years, a bill was finally before the House of Commons to amend section 347 of the Criminal Code which would allow for regulation of the industry.

Knowing that rates would be set by Provinces, members wanted to discuss what would be a realistic rate that should be set.

The Association felt it was very important to have credible input in the rate-setting process. The membership agreed on the position, and there was a press release, taking a public position that supported a maximum of twenty dollars (\$20) per one hundred dollars (\$100).

Since then, the CPLA has had more time to reflect on the important issues of regulation. We have retained experts in finance to research, analyze, and provide us with information on the actual costs of operation, and also the additional costs associated with regulation.

The CPLA advocates for a rate that, first, allows for a viable competitive marketplace, and second, will ensure the payday loan product is available for all Nova Scotians.

We are opposed to a monopoly of one (1) or two (2) large operators and do not believe that it is in anyone's best interest.

Based on the research of Dr. Gould, the CPLA continues to support his general conclusion, and I quote:

“I recommend that the Board set the maximum fee for payday lending in the range of twenty dollars (\$20) to twenty three dollars (\$23) per one hundred dollars (\$100) of a payday loan.

A fee of twenty three (\$23) would allow smaller companies to operate in Nova Scotia, allowing the forces of competition to operate more fully.”

The CPLA also believes that the rate must be increased to incorporate licensing costs, and the costs associated with regulation.

In taking our position we have attempted to ensure that our smallest members will continue to viably operate. We recognize that others in the industry may take a different view of the appropriate maximum costs.

Further to our rate recommendation, we also suggest to the Board that the maximum charge that may be levied on default, exclusive of interest, should be forty dollars (\$40), which is consistent with the maximum charged by the big five (5) banks.

In relation to the interest rate that may be charged on arrears, we recommend that it remain at 60 percent. These are the rates which CPLA members have chosen to restrict themselves to by virtue of membership.

On a final point, we believe it is very important that the Board have a full understanding of the product, the industry, and consumers. Therefore, we would like to offer the Board the opportunity, if the Board believes it would be of assistance, to tour one or more of our member's facilities.

We believe this would provide the Board with hands-on knowledge of the experience of Nova Scotia consumers who have come to appreciate dealing with CPLA members.

Thank you, Mr. Chair and Members of the Board, for the opportunity to present to you this morning. My colleague, Norm Bishop, has a brief statement to make with respect to the status of payday loan regulation in other jurisdictions, and then we are prepared to answer any and all questions.