

VIEW FROM QUEEN'S PARK: Consumer Protection

Strengthening Consumer Financial Protection

By Chris Ballard, MPP

Newmarket-Aurora

One of the reasons I'm proud to be the Parliamentary Assistant at the Minister of Government and Consumer Services is to help protect vulnerable consumers.

One area I've watched with concern is the growing use of payday loans. Although marketed, generally, as a convenient cheque cashing place when you don't have time to get to the bank, pay day loan companies are coming under increasing scrutiny by our government for a number of reasons. We know that payday loans are an expensive form of credit ? and that consumers can end up borrowing payday loans multiple times.

A recent survey found only seven per cent of borrowers were aware that the annualized interest rate on a simple payday loan was more than 500 per cent. We also know that more than 18 per cent of payday loan customers use the service for 10 or more loans per year. Advocates say this can create a spiral of indebtedness. The Canadian payday lending market is estimated at \$2.5 billion annually and consists of between 1.8 and 2.5 million customers. In Ontario, there are more than 800 licensed payday lenders offering short-term loans.

I was pleased when the provincial government announced a review of the Payday Loans Act as part of its Strengthening Consumer Financial Protection consultation and helped kick-off the consultation last week in Toronto. It was good to see a diverse group of participants, including Elder Abuse Ontario, United Way Toronto, Prosper Canada and Jane Finch Community and Family Centre. Payday lending was introduced to Canada in 1996. Until 2007, any loan that exceeded a 60 per cent annual rate of interest was criminal. At that time, several civil court decisions across Canada found that some payday lenders were exceeding this limit. Class action lawsuits against payday lenders were underway in several provinces, seeking, among other things, damages for charges greater than the criminal rate of interest.

However, a 2007 amendment to the Criminal Code by the Federal government allowed payday loans that met specific criteria to be exempted from the criminal rate of interest in provinces that passed laws to protect borrowers and limit the total cost of borrowing. In response, Ontario brought in its Payday Loans Act, 2008 to improve consumer protection for borrowers and set a maximum total cost of borrowing of \$21 per \$100 borrowed.

But things have not gone well. In 2014 the ministry received more than 3,000 complaints and inquiries on collection agencies. In the past six years, the number of inquiries about payday loans have increased from 140 in 2008 to more than 1,300 in 2014.

The Ministry of Government and Consumer Services is consulting with citizens, business and advocates for vulnerable consumers in four areas: debt collection, such as improved protection of debtors against unfair collection practices; alternative financial services, such as financial services offered outside of banks and credit unions and a focus on high-cost products like cheque chasing, rent-to-own and installment loans; high cost unsecured loans with a term of generally less than 14 days; and money transfer services, such as to send funds from Ontario elsewhere in Canada or abroad.

Questions being asked in consultations include: what are the risks of using alternative financial services? How do you decrease reliance on payday lending? Do services offered by payday lenders need to meet a higher standard of consumer protection? Is our community affected by payday loans and alternative financial services? Does the cost of money transfer services need to be clearer, and does debt collection need to be simplified for consumers?

The ministry is currently touring the province and meeting with a wide variety of groups. If you want to learn more or want to make a comment, feel free to contact my office to learn how. Feedback is due by August 14.

On another note, I'm delighted to report the Ministry of Health and Long-Term Care has awarded the Town of Aurora \$525,000 to support the Healthy Kids Community Challenge. The town will receive an additional \$175,000 each year to 2018 for the program. I'm sure you'll be hearing more from the town about this exciting initiative.

And I want to end by commenting on what a spectacular time my wife and I had July 12 watching Canada capture two Pan Am golds and a silver at the women's and men's mountain bike competition in Oro-Medonte. I'm told there was a sell-out audience of 6,000 people. I've never been to a mountain bike competition and found the atmosphere relaxed and level of athletics superb. It was fantastic to stand just a meter away as competitors zoomed past. Congratulations to Emily Batty, gold; Catharine Pendrel, silver, and to Raphael Gagne for his gold in the men's competition. (I've posted pictures on my Facebook page.)

Most importantly, thank you to the dozens of volunteers who made the day a resounding success with fantastic customer service.

Speaking to others who have attended different Pan Am events, our experience wasn't unusual. Great work, everyone!

If you would like to contact me on any issue, please call my community office at 905-750-0019, or visit my website at www.ChrisBallardMPP.ca. I look forward to hearing from you.