



Ministry of
Public Safety
and Solicitor General

Consultation Paper:

Regulation of payday lenders under the
Business Practices and Consumer Protection Act

December 2007

INTRODUCTION

In November 2007, the Government of British Columbia passed legislation to establish new rules for the payday loan and cheque-cashing industries. The legislation, called Bill 27: *The Business Practices and Consumer Protection (Payday Loans) Amendment Act*, can be viewed at http://www.leg.bc.ca/38th3rd/3rd_read/gov27-3.htm

A payday loan is a small-sum, short-term loan with repayment of the whole loan plus all fees and interest usually due on the borrower's next payday. The borrower provides the payday lender with a post-dated cheque or authorizes a direct withdrawal from a bank account for the value of the loan plus all charges.

The Canadian *Criminal Code* sets the maximum interest for a loan, which includes all fees and charges, at an effective annual rate of 60%. Because of the short term nature of a payday loan and the method of calculating the effective annual rate, the interest charged by payday lenders is well above the 60% per year maximum. Despite the high rates, consumers want access to these loans to cover short term expenses.

Recent changes to the *Criminal Code* allow provinces and territories to regulate payday lenders to protect borrowers. British Columbia will establish regulations under the *Business Practices and Consumer Protection Act* (the Act) requiring payday lenders to have a licence, and setting maximum payday loan charges and other rules. Bill 27, together with general rules already set out in the Act, provide a complete regulatory framework for payday lenders and borrowers in BC.

Bill 27 also authorizes regulations establishing maximum charges for cashing government cheques.

The purpose of this paper is to consult with British Columbians and representatives of consumers and industry on the content of the regulations. Responses to this paper will help guide the development of specific requirements and protections in these regulations.

Your input is being sought in the following areas:

- Part A - Licensing of Payday Lenders
- Part B - Limits on the Cost of Borrowing
- Part C - Prohibitions, Requirements and Limitations
- Part D - Maximum Fee for Cashing Government Cheques

The questions are listed in this paper as a reference. Please use the **Consultation Response Form** to provide your answers and any further comments. The form may be downloaded from: www.pssg.gov.bc.ca/legislation/docs/payday-lending-response.rtf

You may mail or fax or e-mail the form to:

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Responses must be received by February 15, 2008.

PART A. LICENSING OF PAYDAY LENDERS

The Act establishes the authority to license payday lenders and to make regulations on licensing matters. The Business Practices and Consumer Protection Authority (the Authority), an independent body, administers the Act and licensing process through an agreement with government. The Authority has all the duties and powers of the “director” under the Act.

The Act requires a person to submit an application for a licence to the director, along with information and records required by the director. The licence fee is established in regulation or by the Authority. The director may issue a licence and may impose conditions on the licence, for example, restricting the licensee from engaging in a certain practice due to lack of experience or prior behaviour. The director may refuse to issue a licence, suspend or cancel a licence, or amend licence conditions under certain circumstances, after giving the person an opportunity to be heard. For example, the Authority could suspend a licence if the licensee violated the Act or regulations or failed to maintain the qualifications for a licence.

The Authority assists consumers that have enquires or complaints about regulated industries. The director may inspect businesses to determine compliance or to assess an applicant for a licence, and the director has powers to enter premises, take records and hear witnesses. The director has several ways of enforcing compliance, for example, entering into undertakings or issuing compliance orders that may be filed in court, taking licensing action, imposing an administrative penalty or initiating court action.

Certain licensing requirements are established by regulation, including qualifications of licensees, licence fees and term, display of licences, securities and records that must be kept or reported to the director. In addition, regulations may establish circumstances under which administrative penalties may be imposed for violations of the Act and regulations.

Qualifications and requirements for a licence

A payday lending regulation will require all payday lenders to be licensed. Applicants for a licence will need to provide specific information about the business, such as registered address and names of directors, officers and shareholders.

Applicants may need to provide information to allow the director to assess their ability to operate as a payday lender. For example, applicants may be required to submit documents showing their ability to manage money and credit, and their understanding of the Act and regulations. Applicants, employees or corporate directors may be required to submit criminal record history information.

Question 1: What qualifications should there be for a licence to operate as a payday lender?

Payday lenders in other provinces and countries doing business with British Columbia consumers by telephone or internet will also need to be licensed. Additional documentation may be required to ensure that the business is in good standing and has the ability and competence to do business in the province.

Question 2: Should there be special requirements for payday lenders providing services by internet and telephone?

Licence fees

Licence fees and other charges are set at levels that allow the Authority to recover its costs of administering the program. The Authority is a not-for-profit agency and all licensing revenue is used for administration. Licence fees for industries currently regulated under the Act range from \$400 to \$1600 per year. Generally, each location from which a business operates must be licensed.

Licence fees and charges will be established in regulation initially. At a later date, the Authority may establish a different licence fee, and may establish a multi-year licence, as permitted under the Fee Setting Criteria Regulation. An annual licence fee in the range of \$500 to \$1000 is being considered. There may also be an initial fee for assessing a new applicant for a licence.

Question 3: Do you have comments on the annual licence fee?

Security

Licensees may be required to provide security to ensure the performance of an obligation under the Act. The security covers failure of the licensee in the payment of money due to consumers, and for costs of any action brought against the licensee to obtain the money. Currently debt collection agencies and travel agencies supply security as part of their licensing requirement and do so using various instruments including bonds, letters of credit and safekeeping agreements. While payday lenders do not hold a large amount of borrowers' money, there could be circumstances where the borrower has been overcharged, excess amounts have been taken from bank accounts or cash cards are cancelled before the borrower spends the money.

Question 4: Should there be a security requirement for payday lenders?

Records

The regulations or the director can require that certain records be submitted or retained for inspections. For example, there may be requirements that payday lenders submit annual reports containing certain information, and that they retain receipts acknowledging loan advances and repayments, information on charges and interest, signed loan agreements, banking records, and loan transactions by borrower.

Question 5: Do you have comments on types of records that should be submitted and retained?

PART B. LIMITS ON THE COST OF BORROWING

Under Bill 27, a payday lender must not charge, require or accept any fee, penalty, commission, rate, consideration, charge or any other amount unless it is permitted under the Act.

The regulation will specify the maximum up front charges permitted at the time the loan agreement is entered into. The maximum cost of borrowing covers **all** up front costs including documentation, cash cards, fees, funds transfers, brokerage costs, the cost of money and approval processes. There will be separate maximum charges that relate only to defaults, that is, when a borrower fails to repay the loan by the due date.

Maximum Charge Structure

There are two key components to maximum charges: a basic transaction charge and an annual interest rate that accrues on the outstanding principal. When the two components are added together, the result should be the lowest charge possible that still allows a viable payday lending market.

The first component, a *basic transaction charge*, covers the fixed costs associated with providing a payday loan, including the administrative cost of completing the application and loan agreement, costs associated with determining whether a loan will be granted, and providing the advance, among other transaction costs. In addition to covering fixed costs and providing a return to the lender, the transaction charge should be sensitive to the size of the loan.

The second component is the *interest charge*. Interest accrues over time only on the outstanding balance of the principal of the loan. The purpose of the interest rate is to cover the cost of money and provide a modest incentive for borrowers to pay off the loan on a timely basis.

Basic Transaction Charge Structure: Proposed Models

There is more than one way to come up with a maximum charge that covers the fixed costs associated with a loan of any size and is still sensitive to the size of the loan. While payday loans may average about \$300, the definition in legislation includes amounts up to \$1,500. Therefore the method of calculating the maximum charge has to be able to generate a reasonable charge for larger loans as well.

As fixed costs may be the same for large and small loans, it is suggested that the transaction charge be capped at a certain level of principal, such as \$800. The formula for transaction charges should not encourage lenders to lend more than the borrower needs simply to make a higher profit. Note that the permitted interest charges will increase with the size of the principal and the length of the term. Two models identified through research to accommodate fixed costs and differences in loan size are the “sliding scale” and the “fixed plus proportional” models.

The tables in this part set out examples of both models, calculating maximum allowable transaction charges for loan principals of \$100, \$300, \$800 and \$1,200. The transaction charge is capped at a principal of \$800. These are examples that illustrate the impacts of charge structures for different loan sizes. The numbers used for the tables were chosen as easy numbers to calculate example loan charges and are used here for the purpose of illustration only.

Under the *sliding scale* model or formula, the payday lender would be permitted to charge a specified rate on the first portion of a loan, a lesser on the next portion, and even less or none at all on the remaining portions. For example:

Illustration 1: Sliding Scale Model for Calculating a Basic Transaction Charge

<i>Sliding Scale Examples</i>	<i>Maximum Transaction Charge for Loan Principal Sizes:</i>			
	\$100	\$300	\$800	\$1200
<i>20% of the first \$400 + 10% of the next \$400</i>	\$20	\$60	\$120	\$120
<i>25% of the first \$200 + 15% of the next \$200 + 5% of the next \$400</i>	\$25	\$65	\$100	\$100

Under the *fixed plus proportionate* model, the payday lender would be permitted to charge a fixed dollar amount on each payday loan, as well as an amount that is proportionate to the amount of the principal of the loan. For example:

Illustration 2: Fixed + Proportionate Model for Calculating a Basic Transaction Charge

<i>Fixed Plus Proportionate Examples</i>	<i>Maximum Transaction Charge for Loan Principal Sizes:</i>			
	\$100	\$300	\$800	\$1200
<i>\$10 + 15% of the first \$800 of loan principal</i>	\$25	\$55	\$130	\$130
<i>\$15 + 15% of the first \$400 + 10% of the next \$400</i>	\$30	\$60	\$115	\$115

Different fixed and proportionate numbers will have different results for the maximum basic transaction charge. The principal cap for applying transaction charges will also impact the maximum basic transaction charge. There may be other ways of determining the basic transaction charge that cover the fixed costs and are sensitive to the size of the loan.

Question 6: What is your preferred model of the two shown above for calculating the maximum basic transaction charge?

Question 7: What should be the level of proportionate and fixed amounts in the models above or for the model you prefer?

Question 8: At what amount should the loan be capped for applying the basic transaction charge?

Question 9: If you prefer a different way of calculating a maximum transaction, what is the method? What proportions or fixed amounts would you recommend for your model?

Accrued Interest Charge

The interest charged on the principal of the loan will be added to the basic transaction charge to calculate the total cost of borrowing. All of these charges are identified up front and are used to calculate the Annual Percentage Rate (APR) for the loan agreement. The interest charge would apply to the whole of the outstanding principal for the duration that it is outstanding or up to the limitation period, if one is set. When partial payments are made, the payment is applied to outstanding interest and transactions charges first, then to the principal. The purpose is to cover the cost of money and to provide some incentive to repay the loan.

As background information on interest rates, the Bank of Canada has set the overnight rate at 4.5% per year; the prime business rate charged by chartered banks is about 6.25% per year; a personal loan at a chartered bank would likely have interest of about 8.5% to 13% per year; credit card interest rates are approximately 12% to 20% per year.

Question 10: Based on what you know about interest rates today, what is a reasonable annual interest rate to apply to payday loans (given that it is in addition to the basic transaction charge)? Please give reasons supporting your submission.

There are two different ways in which interest charges tend to be expressed for payday loans. One is as an annual interest rate and the other is a daily rate. For instance, 36.5 % per year is about the same as 0.1% per day. Another example is a daily rate of 0.05 % per day is about 18.25% per year. One advantage of a daily rate is that you can easily add on another day's worth of interest charges. So for a loan of \$300 at an interest charge of 0.1% per day, the loan accrues 30 cents a day.

Question 11: Do you think the regulation should specify an annual rate or a daily interest rate?

The total maximum cost of borrowing that a payday lender can charge will be sum of the basic transaction charge and interest accrued on the outstanding principal. The table below illustrates what the model could look like for both of these charges and added together. It also discloses the Annual Percentage Rate (APR) once all the charges are added up as the total cost of borrowing and annualized using a typical payday loan term of 10 days (also an easy number to use for calculations). The example below (next page) combines an accrued interest charge with a sliding scale formula for the basic transaction charge. It could also be combined with the fixed plus proportionate model. Note again that the numbers used are only for the purpose of illustrating how the formula would work.

Illustration 3: Basic Transaction Charge Plus Interest Accrued over 10 Days; and APR

<i>Sliding Scale Model + Daily Interest Charge Example</i>	<i>Maximum Allowable Charges for Loan Principal Sizes:</i>			
	<i>\$100</i>	<i>\$300</i>	<i>\$800</i>	<i>\$1200</i>
Basic Transaction Charge 15% of first \$300 10% of next \$300 5% of next \$200	\$15	\$45	\$85	\$85
Accrued Interest Charge 0.1% per day for 10 day term	\$ 1	\$ 3	\$ 8	\$12
Total Charge in Dollars	\$16	\$48	\$93	\$97
Annual Percentage Rate	584%	584%	424.3%	295%

Default and NSF Charges

The borrower is responsible for fulfilling his or her obligations under the loan agreement, including making the payments by the due date as agreed to in the contract. Default charges will be permitted both because a payday lender incurs costs when a borrower does not repay on the due date and because they create an incentive for a borrower to repay the loan according to the terms and obligations of the loan agreement. Lenders will also be allowed to recover the costs the financial institutions charge the lender when a cheque deposited from the borrower “bounces” because there were not sufficient funds (NSF) in the borrower’s account. This also applies to preauthorized debits. At the same time, the lender assumes some risk, as payday loans do not usually involve a credit check. If a borrower has great difficulty repaying the loan and charges, it would be advisable for repayment to occur over a longer time period that is within the borrower’s capacity to repay, rather than incurring additional default charges.

Question 12: What default charge should be allowed?

Question 13: How often should a lender be able to charge a default charge for the same loan?

One objective is to reduce additional fees for borrowers who take proactive steps to avoid a payment being NSF, even if those steps include changing the terms of repayment of the loan. When a borrower realizes that a cheque will be NSF, and the borrower provides the lender with new cheques that cover the payday loan and ensures that there is sufficient funds to cover them, the borrower would not be charged and NSF fee.

Where a borrower fails to notify the payday lender that a cheque will not be honoured by the financial institution and fails to replace the cheque with new cheques that will be honoured, a charge will be permitted to reimburse the lender for the charges it pays to its own financial institution where it attempted to deposit the cheque or preauthorized payment.

Question 14: What does a financial institution charge a payday lender on average when a preauthorized payment or cheque is NSF?

Question 15: How often should a lender be able to claim NSF on the same pre-authorized debit?

PART C. PROHIBITIONS, LIMITATIONS AND REQUIREMENTS

Bill 27 provides the authority to make regulations about prohibited practices and limitations, expand what information should be disclosed to consumers, and set out the process for cancellation of payday loans, use of cash cards, and internet or telephone loans.

Prohibition on back to back loans

It has been suggested that “back to back” loans be prohibited as well as a requirement by lenders to have a borrower countersign a cheque issued to him or herself or to “cash” in payment for the payday loan.

A back to back loan is a loan made in the pay period immediately following the pay period in which the previous payday loan has just been paid off. Payday loans are for the purpose of covering an immediate expenditure and not as an ongoing financial service. Consequently, a prohibition on back to back loans is being considered. That is, a payday lender would be barred from offering, arranging or providing back to back payday loans.

Question 16: What are your views about prohibiting back to back loans? Or prohibiting lenders from asking for the cheque to be made out to the borrower?

Question 17: Are there other prohibitions that should be considered?

Required disclosure and advertising

Bill 27 requires a payday lender to disclose all terms and conditions of the loan to the borrower in the loan agreement. In addition, it has been suggested that the contact information for the Authority should be required in the loan agreement in the event that a borrower has questions or concerns.

Question 18: Are there other matters that should be disclosed to the borrower in the loan agreement?

The Act establishes general standards for advertising. Specifically, advertisements cannot be deceptive. When prices are advertised they must show the full cost so that consumers are not lead to believe goods or services cost less than they really do. The Act also speaks to advertisements that indicate what a typical or “representative” example would cost. One tool that is useful for comparing costs of one loan to another is the Annual Percentage Rate or APR. The APR includes all the up front costs of borrowing such as the interest and transaction charges and combines them into a single annualized rate.

An example is a \$300 loan for a term of 10 days where the payday lender charges a transaction charge of 22% of the principal plus interest of 0.1% a day. The cost of borrowing totals \$69 (\$66 in

transaction charges and \$3 interest charges). In this example, the APR is 839.5% per year. If another lender charges less for the transaction charge, but more interest, then the APR would show how the two different sets of costs would compare to each other. The APR must be disclosed with other types of consumer loans with fixed terms and the APR must be disclosed in the payday loan agreement.

Question 19: *In their advertising, should payday lenders be required to disclose the full costs, including the APR, of a typical or representative payday loan?*

Signage

Some provinces have established a requirement to display a poster describing a representative loan, for example a loan of \$300 for 14 days, and setting out the interest rate and charges that could apply to that loan. This may help the borrower shop for the best rates on loans.

Question 20: *Would a representative poster be helpful for borrowers? Should there be a standard size, format and colour for the poster so it is easily identified?*

Cancellations

Bill 27 will allow a consumer to cancel a payday loan at any time before the end of the next business day following the day the borrower receives the first advance. Several aspects of the right to cancellation can be expanded by regulation:

- the length of the cancellation period;
- sections of the Act that, if breached by the lender, give rise to a right of cancellation;
- how a borrower may give a cancellation notice to a lender;
- when cancellation notice is to be considered received by the payday lender;
- the manner of repayment of the loan upon cancellation.

As a place to start, it is proposed that the cancellation period identified in the legislation, that is, close of business next day, be allowed to stand until a reason for extending the time period becomes apparent. The legislation extends indefinitely the period in which to cancel without the borrower incurring any cost of borrowing, if the lender fails to disclose the required information or draw attention to the total cost of credit including the APR and the fact that the borrower has cancellation rights.

If the borrower has negotiated the loan in person, he or she can cancel by returning the funds by close of business the next day to the lender. If the borrower received a cash card and has not used the card at all within the cancellation period, he or she would return the unused card. Similarly, if the lender issued a cheque or other similar paper instrument, this instrument would have to be returned before close of business the next day. If the loan was arranged as an electronic funds transfer, the lender would have to be given a new pre-authorized debit effective on or before the close of business the next day. Whichever method is used, the borrower would have to return the full loan principal within the time limit in order to effectively cancel the loan. If a cheque or preauthorized debit is returned because of insufficient funds, then the loan would not be cancelled.

The legislation also requires the borrower to give *notice*. It is proposed that the notice provide enough information, such as the name of the borrower, the lender outlet, the amount and date of the loan so that the lender can correctly match the notice to cancel with the original loan agreement. The borrower would date and sign confirming the statement that she or he wishes to cancel the loan. The notice would be part of every loan agreement package and there would be a requirement to make it available at payday loan outlets or on the website for internet loans.

Question 21: *Are there any factors that should be taken into account or do you have other comments about the cancellation process?*

Question 22: *Do you have suggestions as to what should be included on the notice form?*

Cash Card Requirements

Some payday lenders issue the loan principal by loading funds onto a cash card which can be used at retail and financial service outlets that have the technology for processing electronic debits. Any costs incurred by the lender for issuing the card must be recovered within the up front transaction charges. The borrower may have to pay a service charge when using the card only if required by a third party. The borrower may be faced with the situation that there is an inaccessible amount left on the cash card because Automatic Teller Machines (ATMs) generally issue twenty dollar bills. The regulation will specify that a lender must cash out the card when the amount of funds on the card dips below a certain amount, on the request of the borrower. It is proposed that the amount the lender would have to pay out in cash be \$25 or less.

Question 23: *What do you think the mandatory cash out amount for payday loan cash cards should be?*

Question 24: *Are there any other factors regarding cash cards to be taken into consideration for the regulations?*

Limitations

The regulations will speak to limits on the size of the loan and how much the borrower can be required to pay off at any one time. Regulations could also limit the term of the loan and the maximum length of time that interest is allowed to accrue. The limitations could work together to limit the overall obligation and the rate at which it is paid off.

As an example, a borrower's next paycheque is estimated to be \$1000. If the maximum loan principal is 45% of the borrower's next paycheque, then he or she could borrow up to \$450. If the transaction and interest charges on this amount add up to \$115, then the total amount to be repaid is be \$565. If the maximum required repayment is 40% of the paycheque, then the lender could require the borrower to repay \$400 on the next payday and the remainder on the following payday. (Note that because the principal would not be completely paid off the interest would continue to accrue on the outstanding balance, so that the remainder would be ultimately a bit more than the difference between \$565 and \$400, however there would be more time for the borrower to repay the remainder.)

The business case for payday loans is that they are short term. The purpose of these limitations is to avoid an unmanageable payday loan debt and over use of payday loans. These limitations are not intended to stretch them into long term loans, nor to confine the loan size so much that borrowers seek loans from more than one lender simultaneously.

Size of Loan

Some lenders lend up to 55% of the borrower's next pay cheque and others less than that. The typical payday loan sets the next payday for the full repayment of the loan principal and all the up front charges. If over half of the paycheque is spent before the next pay period begins, the borrower's ability to cover expenses in the next pay period is very restricted.

Question 25: What should be the maximum proportion of the borrower's next paycheque that may be issued as a payday loan?

Maximum compelled repayment

The borrower is always free to pay back the whole loan and charges at once, that is, on or before the first upcoming payday if he or she considers that the full payment is manageable. However, in some cases, it may not be reasonable for the borrower to repay the full amount on the next payday. The regulation could limit how much the payday lender can require as payment from the next paycheque.

Question 26: Should there be a limit to the amount of the repayment required on the next payday, and if so, what portion of a borrower's paycheque should be the maximum compelled repayment?

Minimum term of loan

The maximum term of a payday loan is 62 days. Bill 27 provides authority to regulate the minimum term of the loan. A borrower is likely to be able to pay back the loan, or a portion of the loan, on the borrower's next payday. However, it may be a hardship to require the borrower to pay the loan back before the next payday, and it may result in default and additional charges to the borrower. It has been suggested that establishing a minimum term would prevent payday lenders from requiring that the loan be repaid before the next payday.

Question 27: Should a lender be prohibited from requiring repayment before the borrower's next payday?

Accrual of interest

Bill 27 provides authority to set the maximum number of days interest may accrue on an outstanding loan, if warranted. The intent would be to encourage payday lenders to refer borrowers to credit counselling to help them manage their debts when they have great difficulty repaying. If the loan is still outstanding after the maximum number of days, the lender could still collect the debt, but no further interest would accrue.

Question 28: Should there be a limit on the number of days a lender can charge interest on outstanding loans? What should the limit be?

Question 29: Do you have any other comments or suggestions about avoiding over use of payday loans or unmanageable debt through payday loans?

Internet and Telephone Loans

Bill 27 addresses the situation where a borrower walks into a payday loan outlet, negotiates the loan agreement face to face with the lender, comes to an understanding of the loan terms and his or her rights; signs and dates the loan agreement at the counter; and walks away with the money and a copy of the loan agreement. However, some lenders offer payday loans via internet and phone. The regulations will set out how the same basic results can be achieved in the borrower-lender transaction when the loan is not negotiated in person.

The internet or phone loan agreement must disclose all the same items as required for in-person loans. The regulation will specify that the loan agreement must be in a printable format and that the borrower will have to acknowledge by putting his or her initials in a space beside the cost of borrowing and APR, and the notice of cancellation rights. The internet or phone loan will also have to provide a notice form for the purposes of cancellation. The hard copy of the loan agreement must be signed and dated by the borrower and faxed or scanned into the portable document format (pdf) and returned to the lender with payment, likely in the form of a preauthorized debit to the borrowers account to be processed on payday.

The cancellation of an internet or phone loan would have to meet the same timelines and process for completing the notice and returning the funds to the lender. This would mean that the completed notice form would have to be faxed or sent back in “pdf” and the date for the preauthorized debit has to fall within the time frames set out in the new legislation. This means that lenders that use internet and the telephone to offer and negotiate payday loans have to post their “hours of operation” and if they make loans available until midnight, let’s say, then they would also have to accept a notice of cancellation up until midnight the next day.

Question 30: Do you have any comments on any of the specific measures identified above for internet or telephone loans?

Question 31: Are there any other considerations for setting out the specific process for internet and telephone loans in regulations?

PART D: FEES FOR CASHING GOVERNMENT CHEQUES

Businesses providing cheque cashing services generally charge the cheque-holder a fee for this service. The fee may cover their administrative costs and make up for the financial risk the casher takes on for dishonoured cheques.

Cheques issued by government bodies do not carry the same financial risk to the casher as cheques issued by businesses or individuals. The fee should be limited to an amount that covers the casher's cost of doing business at a reasonable price to the cheque-holder.

Regulations will establish maximum fees and charges for cashing a cheque drawn on an account of a government body. A maximum cheque cashing fee could be established in a number of ways:

- A fixed fee not related to the amount of the cheque,
- A percentage of the amount of the cheque, up to a maximum amount,
- A combination fixed fee plus a percentage, OR
- A combination fixed fee plus a percentage to a maximum amount.

Here are some examples of maximum fees set by other provinces and states:

- \$3.00 plus 2% of value of the cheque
- 2.5% of the value of the cheque to a maximum of \$5.00
- 3.5% of the value of the cheque to a maximum of \$3.00

Question 32: How should the maximum fees be calculated? What should the maximum be?

Question 33: Should a fee be allowed if the cheque-holder is purchasing goods or services with the cash?

Thank you for participating in the consultation on the regulation of payday lenders.

Please provide your comments on the **Consultation Response Form**
(www.pssg.gov.bc.ca/legislation/current.htm)

Responses must be received by February 15, 2008.