

Date: March 2, 2009

Event: Payday lender regulations (Victoria)

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- Good morning.
- The last decade has seen significant growth in the short-term lending industry in B.C.
- For many British Columbians, payday lenders provide immediate access to small cash loans to cover unforeseen emergencies, like a car repair.
- The loan is then scheduled to be paid off in a short period.
- However, these services can come at a high price and borrowers often have trouble paying off the loan by the due date.
- Some borrowers get into a debt spiral because the first loan is rolled over with more fees into a new larger loan.
- That's why I am announcing that effective November 1, 2009, payday lenders in British Columbia will need to be licensed under the Business Practices Consumer Protection Authority.
- This will better protect consumers by capping charges at 23 per cent of the loan principal and prohibiting other practices that can be a problem for borrowers.
- Payday lenders will have to follow a number of new rules starting this fall.
- There will have to be a loan agreement between the payday lender and the borrower that sets out all charges, terms and conditions.
- Payday lenders must also display posters and signage showing the interest rates.
- Borrowers will have the right to cancel the loan by the end of the following day, without paying any charges.
- Payday lenders will not be able to collect repayment on a loan from the borrower's employer, or get unrestricted access to the customer's bank account.

- They will also not be allowed to ask for repayment of the loan before the borrower's payday.
- Payday lenders will not be able to issue more than one loan to a borrower at a time.
- Rolling one loan into another with new charges attached will also be prohibited.
- Payday lenders will not be able to issue a loan for more than 50 per cent of the borrower's next paycheque.
- If customers feel they are being wronged and can't settle the issue with the payday lender, they can contact the Consumer Protection Authority for help.
- As for penalties – non-compliance could lead to a lender's licence being suspended or revoked, a penalty of up to \$50,000 or imprisonment on conviction.
- In putting all of these regulations together, I wanted effective rules that better protect consumers while allowing the continuation of a competitive payday lenders market.
- I feel we have achieved that goal.
- In closing, I'd like to thank all those who worked on putting these regulations together.
- I'd also like to pass along my thanks to those who provided their invaluable input during the consultation process.
- Thank you.