

BACKGROUNDER: PAYDAY LENDING IN BC

In 2016:

British Columbians borrowed approximately \$369,670,000 through payday loans. About 804,250 payday loans were taken out. The average size of a payday loan was around \$460. BC payday lenders granted loans to approximately 161,400 individuals.¹ The average payday lending borrower took out about 5.0 loans annually.²

OVERVIEW

The [Payday Loans Regulation](#) took effect in British Columbia on November 1, 2009. Since that time, all payday lenders doing business with BC consumers must be licensed with Consumer Protection BC. This includes lenders doing business over the internet and by telephone. Consumers seek payday loans for a variety of reasons, ranging from lifestyle choices to covering unforeseen emergencies and trying to make ends meet between pay cheques.

THE PAYDAY LENDING LAW IN BC

The law strikes a balance between protecting borrowers and allowing lenders to do business in BC. BC's *Payday Loans Regulation* protects borrowers by defining what a payday loan is, by setting a maximum allowable cost of borrowing, by providing cancellations rights to borrowers, by setting out disclosure requirements, by requiring licensing and by outlining prohibited practices and maximum penalties for violations.

2014 - 2016 BC PAYDAY LENDING BY THE NUMBERS

Licensed places, activities and occupations:

- 2014: 281 BC-licensed payday lenders.
- 2015: 244 BC-licensed payday lenders.³
- 2016: 208 BC-licensed payday lenders.

Consumer inquiries:

- 2014: 779 inquiries about the payday lending sector, representing 8% of all calls and emails (10,079). Topics of interest included returns and refunds⁴ (72% of payday lending sector-related inquiries), general inquires (11%) and fees and charges (4%).

¹ The number of individuals may not be unique across lenders as some borrowers use multiple lenders.

² Data is based on loans granted by BC-licensed payday lenders during their most recently-completed fiscal year submitted on Oct. 31, 2016, the end of the Consumer Protection BC licensing period.

³ Cash Store Financial closed 88 licensed branches from January to June 2015.

⁴ In 2014, Consumer Protection BC took over the responsibility for the Cash Store/Instaloans consumer refund process. Find out more [here](#).

- 2015: 218 inquiries about the payday lending sector, representing 2% of all calls and emails (8,777). Topics of interest included general inquiries (35% of payday lending sector-related inquiries), return/refund (20%), and fees and charges (9%).
- 2016: 333 inquiries about the payday lending sector, representing 3% of all calls and emails (10,882). Topics of interest included general inquiries (37% of payday lending sector-related inquiries), Return/refund (29%⁵) and fees and charges (9%).

Investigations:

- 2014: For the 11 payday lending files that concluded with an outcome, voluntary compliance was achieved 73% of the time (8 instances); topics of investigation included licence requirements, prohibited fees, penalties and charges and engaging in prohibited practices; and enforcement action was taken 27% of the time (3 instances).
- 2015: For the 9 payday lending files that concluded with an outcome, voluntary compliance was achieved 33% of the time (3 instances); topics of investigation included licence required, prohibited practices, failure to comply with order; and enforcement action was taken 67% of the time (6 instances).
- 2016: For the 20 payday lending files that concluded with an outcome, voluntary compliance was achieved 90% of the time (18 instances); topics of investigation included licence requirements, and engaging in prohibited practices; and enforcement action was taken 10% of the time (2 instances).

BUSINESS OBLIGATIONS AND CONSUMER RIGHTS

By law, payday lenders:

- Must publicly display loan rates for easy comparison to other lending institutions.
- Must provide a payday loan agreement, outlining all charges and terms and conditions for every transaction.
- Must phase repayment of the loan over two or three pay periods, if a borrower is taking their third loan in a two-month period.
- Must not engage in practices that encourage continued debt and dependence or other unfair practices. For example, payday lenders:
 - May not issue more than one loan to a borrower at the same time;
 - May not roll over one loan into another loan with new charges; and
 - May not issue a loan for more than 50% of the borrower's pay cheque or net income to be received during the term of the loan.

By law, consumers:

- Must receive a copy of the loan agreement at the time of signing (and this agreement must list all of the charges, terms and conditions of the loan).

⁵ A large number of consumers mistakenly contacted Consumer Protection BC in 2016 related to a payday lending class action lawsuit.

- Have the right to change their mind and cancel the loan by the end of the following day – without paying any charges.
- Can repay a loan any time before the due date and cannot be charged extra for doing this.
- May not be issued more than one loan at the same time or have a loan rolled over, meaning the payday lender cannot extend or renew a loan at an additional cost to the consumer or give the consumer a new loan to pay out an old loan.
- May not be issued a loan for more than 50% of what their pay cheque or net income will be during the term of the loan.

CONSUMER TIPS

1. **Check a licence.** Use Consumer Protection BC's licensee search tool at www.consumerprotectionbc.ca to ensure the lender is licensed (remember: this is a requirement of all payday lenders operating in BC).
2. **Know your rights.** By law, purchasing insurance is optional and total fees must never be more than 17% of the amount borrowed – no matter what. *(Please note that this rate changed from 23% to 17%, effective January 1, 2017.)*
3. **Shop around for a rate and don't pay upfront.** Payday lenders must have posters showing the rates they charge. Also, never pay upfront to borrow money: in BC, it is illegal to ask for money upfront to obtain a loan.

ENFORCEMENT ACTIONS

All recent enforcement actions can be found online, on Consumer Protection BC's website, www.consumerprotectionbc.ca.

FOR MORE INFORMATION

Visit www.consumerprotectionbc.ca for more information for both consumers and regulated businesses. Additional statistical information may also be available in Consumer Protection BC's [annual reports](#). Consumer Protection BC also provides up-to-date information on [Facebook](#), [Twitter](#) and [the corporate blog](#).

Questions or complaints can be directed to Consumer Protection BC's Inquiry Centre at, toll free, 1-888-564-9963 or info@consumerprotectionbc.ca.