

## BACKGROUNDER: DEBT REPAYMENT IN BC

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### OVERVIEW

Consumer Protection BC is responsible for regulating and enforcing BC's laws that address the business practices of debt collectors, bailiffs and debt repayment agents. Whether operating in BC or communicating with BC consumers, all debt collectors, bailiffs and debt repayment agents are required to be licensed with Consumer Protection BC and meet the requirements of the [Business Practices and Consumer Protection Act](#) and the [Debt Collection and Repayment Regulation](#). These laws are in place to protect consumers a variety of ways, including regulating communication practices and safeguarding consumer money.

### THE DEBT REPAYMENT LAW IN BC

Consumer Protection BC administers BC's debt repayment laws, which includes licensing and regulating debt repayment agents (defined as anyone who charges a fee to negotiate with a creditor on the behalf of a debtor). The law speaks to the business practices of debt repayment agents and requires agents to follow specific rules about how the debtor's money is handled. For example, if a debt repayment agent collects money from a debtor to pay a creditor, the agent has five days to deposit it into a trust account.

Effective April 1, 2016, BC's debt collection law was amended to reflect the present-day collection and credit industry and align with other Canadian jurisdictions. One of the most significant changes was with regards to the industries of debt pooling (which was previously licensed and regulated) and debt settlement (which was not previously licensed and regulated). Under the new rules, both business types are now collectively referred to as "debt repayment agents" and are obligated to follow the same law.

### 2015 - 2017: DEBT REPAYMENT BY THE NUMBERS

*\*Please note that the 2015 statistics do not capture the debt settlement industry as they weren't regulated prior to April 1, 2016.*

#### **Licensed places, activities and occupations:**

- 2015: 4,410 BC-licensed debt collection agencies, collectors, or bailiffs
- 2016: 4,324 BC-licensed debt collection agencies, collectors, repayment agents or bailiffs
- 2017: 3,752 BC-licensed debt collection agencies, collectors, repayment agents or bailiffs

#### **Consumer inquiries:**

- 2015: 1,258 inquiries about the debt sector, representing 14% of all calls and emails (8,777). Topics of interest included general inquiries (29% of all debt sector-related inquiries), debt in dispute (17%) and collector behaviour (13%).
- 2016: 1,388 inquiries about the debt sector, representing 13% of all calls and emails (10,882). Topics of interest include collector behaviour (17% of debt sector-related inquiries), general inquiries (16%) and debt in dispute (12%).

- 2017: 1,480 inquiries about the debt sector, representing 13% of all calls and emails (11,068). Topics of interest include collector behavior (19% of debt sector-related inquiries), debt in dispute (16%) and not the debtor (14%).

### ***Investigations:***

- 2015: For the 19 debt-related files that concluded with an outcome, voluntary compliance was achieved 68% of the time (13 instances); topics of investigation included licence requirements, communication with a debtor and false or misleading representations; and enforcement action was taken 32% of the time (6 instances).
- 2016: For the 17 debt-related files that concluded with an outcome, voluntary compliance was achieved 59% of the time (10 instances); topics of investigation included licence requirements, communication with a debtor and false or misleading representations; disclosure requirements; and enforcement action was taken 41% of the time (7 instances).
- 2017: For the 17 debt-related files that concluded with an outcome, voluntary compliance was achieved 53% of the time (9 instances); topics of investigation included collecting from person not liable for debt, communication at place of employment, and communication in writing only; and enforcement action was taken 47% of the time (8 instances).

## **BUSINESS OBLIGATIONS OVERVIEW**

By law, debt repayment agents in BC:

- Have to use written contracts that include specific information (such as a list of all fees that will be paid by the debtor to the debt repayment agent, the methods that will be used to arrange or negotiate the settlement of the debt and detailed information about the payments that will be made to the debtor's creditors).
- Must not charge up-front fees until a repayment proposal has been agreed to by both the debtor and at least one of the debtor's creditors.
- Must account for and pay any money collected from the debtor to the proper creditor within a specific time frame.
- Cannot give money or credit to a debtor, or help a debtor with getting a loan.

## **CONSUMER RIGHTS OVERVIEW**

By law, BC consumers:

- Have the right to communicate directly with their creditors.
- Do not have to pay fees that are [more than what is allowed by law](#).
- Have the right to full information about the status of their debts. For example, if a creditor refuses to accept a negotiation or settlement, the debt repayment agent must share this information with the consumer within 30 days.

## **CONSUMER TIPS**

1. **Be aware of upfront fees.** Remember: you can't be charged any money upfront until there is a written agreement with at least one of your creditors.

- 2. Understand what a debt repayment agent is.** Anyone who charges a fee to negotiate with a creditor on the behalf of a debtor needs to be licensed by Consumer Protection BC and follow certain rules.
- 3. Check licensing status.** Visit [www.consumerprotectionbc.ca](http://www.consumerprotectionbc.ca) to ensure the debt repayment agent you're working with is licensed.

### ENFORCEMENT ACTIONS

To maintain the integrity of our investigative processes, we do not share detailed information about open files. Visit the [Enforcement Actions section of our website](#) to explore our recent licensing and enforcement actions.

### FOR MORE INFORMATION

Explore [www.consumerprotectionbc.ca](http://www.consumerprotectionbc.ca) for more information for both consumers and regulated businesses. Additional statistical information is also available in our [annual reports](#). We also share information and consumer tips on [Facebook](#), [Twitter](#) and in [our corporate blog](#).

Have a consumer question or complaint? Contact our information services team, toll free, at 1.888.564.9963 or [info@consumerprotectionbc.ca](mailto:info@consumerprotectionbc.ca).