

BACKGROUNDER: PAYDAY LENDING IN BC

In 2017:

British Columbians borrowed approximately \$397 million through payday loans. Almost 820,000 payday loans were taken out and the average size of a payday loan was around \$485.

BC payday lenders granted loans to over 160,000 individuals.¹

The average payday lending borrower took out about 5 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, providing cancellations rights to borrowers, setting out disclosure requirements, requiring licensing and outlining prohibited practices and maximum penalties for violations.

2015 - 2017 BC PAYDAY LENDING BY THE NUMBERS

Licensed places, activities and occupations:

- 2015: 244 BC-licensed payday lenders³
- 2016: 208 BC-licensed payday lenders
- 2017: 196 BC-licensed payday lenders

Consumer inquiries:

- 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%).

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.

- 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%⁴) and fees and charges (9%).
- 2017: 184 inquiries about the payday lending sector, representing 2% of all calls and emails (11,068). Topics of interest included fees and charges (18% of payday lending sector-related inquiries), general inquiries (17%) and inquiries about the law (7%).

Investigations:

- 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).
- 2017: For the 7 payday lending files that concluded with an outcome, voluntary compliance was achieved 29% of the time (2 instances); topics of investigation included total cost of borrowing, required contract terms, and prohibited fees; and enforcement action was taken 71% of the time (5 instances).

BUSINESS OBLIGATIONS AND CONSUMER RIGHTS⁵

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
 - 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 the charges, terms and conditions of the loan).

⁴ A large number of consumers mistakenly contacted Consumer Protection BC in 2016 related to a payday lending class action lawsuit.

⁵ Changes to the Payday Lending Regulations will come into force on September 1, 2018. This backgrounder will be updated at that time to reflect the new rules.

- Have the right to change their mind and cancel the loan within 24 hours of signing a loan agreement – 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 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 15% of the amount borrowed – no matter what. *(Please note that this rate changes from 17% to 15%, effective September 1, 2018.)*
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

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 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.