

BACKGROUNDER: PAYDAY LENDING IN BC

In 2020:

British Columbians borrowed approximately \$391 million through payday loans. About 699,000 payday loans were taken out. The average size of a payday loan was around \$559. BC payday lenders granted loans to approximately 149,000 individuals.¹ The average payday lending borrower took out about 4.7 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.

2018 - 2020 BC PAYDAY LENDING BY THE NUMBERS

Licensed places, activities and occupations:

BC-licensed payday lenders	2018	2019	2020
	181	184	187

Consumer inquiries:

- 2018: There were 175 inquiries about the payday lending sector, representing 1.6% of all calls and emails (11,177). Topics of interest included:
 1. Fees and charges (17% of payday lending sector-related inquiries)
 2. General inquiries (10%)
 3. Collector behaviour (8%)
 4. Frequency of calls (8%)

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 from July 1, 2019 to June 30, 2020.

- 2019: There were 220 inquiries about the payday lending sector, representing 2% of all calls and emails (11,221). Topics of interest included:
 1. Fees and charges 43 (20% of payday lending sector-related inquiries)
 2. Frequency of calls 32 (15%)
 3. Collector behavior 20 (10%)
 4. General advice 16 (7%)
- 2020: There were 149 inquiries about the payday lending sector, representing 1% of all calls and emails (15,423). Topics of interest included:
 1. Collector behaviour (15% of payday lending sector-related inquiries)
 2. General inquiries (15%)
 3. Frequency of calls (11%)
 4. Fees and charges (9%)

Investigations:

- 2018³: There were a total of 31 payday lending investigation files. Of those, 29 files concluded with an outcome and 2 files were incomplete, unfounded or referred elsewhere. Of those 29 files with an outcome, 27 enforcement actions were taken, and voluntary compliance was achieved in 2 cases.
- 2019: There were a total of 17 payday lending investigation files. Of those, 16 files concluded with an outcome and 1 file was incomplete, unfounded or referred elsewhere. Of those 16 files with an outcome, 13 enforcement actions were taken, and voluntary compliance was achieved in 3 cases.
- 2020: There were a total of 9 payday lending investigation files. Of those, 7 files concluded with an outcome and 2 files were incomplete, unfounded or referred elsewhere. Of those 7 files with an outcome, 6 enforcement actions were taken, and voluntary compliance was achieved in 1 case.

Contraventions when enforcement action was taken	2018	2019	2020	Total
	27	13	6	46
Failing to have required contents in terms and disclosure statements	1	3	1	5
Failing to have terms and disclosure statements in a clear and comprehensive manner	0	1	0	1
Engaging in prohibited payday lender practices (BPCPA)	0	1	0	1
Charging cheque cashing fees	0	3	0	3
Contacting the debtor at the debtor's place of employment	1	0	0	1
Communicating with persons other than the debtor except for certain circumstances	0	0	1	1
Removal, seizure, repossession and distress of the debtor's property	0	1	0	1
Operating without a licence	0	1	0	1
Engaging in deceptive acts or practices (definitions)	2	0	0	2

³ Using data and market intelligence collected in 2017, we focused significant regulatory efforts on the payday lending industry and completed a large-scale compliance project in 2018, which is why the number of files is higher than in previous year. The bulk of the investigations with an outcome in 2018 resulted in an Undertaking (in 23 of 30 closed cases).

Engaging in deceptive acts or practices (prohibition and burden of proof)	16	0	0	16
Engaging in unconscionable acts or practices	1	0	0	1
Failing to calculate APR correctly	0	0	1	1
Engaging in prohibited payday lender practices (Payday Loans Regulation)	0	1	1	2
Engaging in prohibited maximum repayment practices	6	1	2	9
Failing to display licence	0	1	0	1

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
 - 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).
- Have the right to change their mind and cancel the loan within two full business days 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 our [licence 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.

- 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](#), [Instagram](#), [YouTube](#) and in [our corporate blog](#).