



**INDEPENDENT PAYDAY LOAN
ASSOCIATION OF CANADA**
**Responsible Short Term Lending
with Consumer Protection in Mind**

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Op-Ed

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A Service for Hard Working, Intelligent Customers

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Over the last months, Canadians have lost almost three million jobs. This has put pressure on everyone and even more on those living paycheck to paycheck, often working multiple jobs. These workers range from independent contractors, whose clients have put them on hold, to essential workers such as nurses and police and even people making six figure incomes, whose second jobs are gone until COVID-19 is in our past.

Even with the generous government programs, many workers are running through their savings to pay their rent, to pay for gas and food or to buy the medications their benefits used to cover.

While many people can add to their credit card debt, take loans from the bank or get support from family and friends, some don't have access to these common credit options. The payday loan industry helps get people past occasional unforeseen crises. Following provincial regulations limiting rates and costs, it provides fast, unsecured loans to those who need them.

In April, 2020, the Canadian Centre for Policy Alternatives added its voice to the pandemic financial crisis, trying its best to vilify the payday loan industry. Its report follows a standard pattern, starting by assuming those using these services are financially uneducated and ignorant. Then the report builds fear, stating that lenders are targeting the vulnerable, and by taking small \$15 charges and converting them to outrageous annualized rates.

Reading the report, it's easy to be insulted. Our clients are intelligent people of all circumstances for whom a few hundred dollars is needed to address unforeseen expenses. In fact, the latest data shows that people are taking advantage of the shut down and isolation, borrowing less and paying off their debts.

A common situation faced by our clients are urgent car repairs. Without a fix, our client cannot get to work to earn the money they need to pay their bills. Our clients often tell us that they have tried to talk with their bank and have been politely told that they don't qualify for even the smallest of loans. If the bank has been so generous to grant a credit card, it is maxed out. They don't have anyone who can give them a personal loan. And the mechanic is not willing to wait for two weeks to get paid.

Fortunately, our clients know that they can walk into a clean, welcoming, regulated independent payday loan store two or three times a year. They are greeted warmly and respected for the hard work they do to support themselves and their families. In minutes, they can arrange for the money they need to appear in their bank account. They most often leave smiling, the weight of worry eased or removed. Instead of carrying debt for months or years, they minimize their debt exposure. When they get their next cheque, the loan is paid.

As a client who needed help paying for an emergency root canal said, “The payday loan was a lifesaver and I would recommend it to anyone. It was good that it was there, to save me from going through this excruciating pain.”

The CCPA report looks at the \$15 per \$100 fee charged for a loan and tells us that, if annualized, the rate is higher than a bank could charge. The payday loan client, who know this business, understands this is faulty math. \$15 is pretty reasonable for all they are getting. If they could get a bank loan, which they can't, they would expect to pay interest and some fees. They know that when they walk into their local shop, the fee of \$15, almost pays the rent, utilities, salaries, the risks of making unsecured loans and other costs to keep the doors open and the lights on. They understand, because it is easily available information, that the actual break-even for a payday loan shop is over \$20.

The reports we are reading about the payday loan industry all propose the same solutions. They recommend that people save more and become more financially educated. They also all insist that the banks change, providing new and cheaper services to those they don't now serve. They propose nothing that will help our client fix that car.

Payday lenders provide an urgent service to their clients, even more so during this pandemic. The Independent Pay Day Loan Association continues to work with the Ontario government to protect our clients' fair and safe access to the short-term, unsecured loans needed to meet their occasional crises.

Patrick Mohan is the President of the Independent Payday Loan Association of Canada, President & CEO of Money Direct Financial Services Inc. and President & CEO of The Mohan Group.

Patrick is a valued member of several public and non-profit boards, with a focus on governance and communications. Patrick has built Money Direct organically to nine stores, with no debt and exceptional customer satisfaction.