



IPLAC

MYTH AND REALITY

A Response to Inaccurate Reporting

About the Payday Loan Industry

March 1, 2021



**INDEPENDENT PAYDAY LOAN
ASSOCIATION OF CANADA**

**Responsible Short Term Lending
with Consumer Protection in Mind**

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Contents

About IPLAC	3
Inaccurate Reporting	4
Myths and Realities in the Payday Loan Industry	5
Our Clients	5
Myth.....	5
Reality	5
Our Services	6
Myth.....	6
Reality	6
Our Rates	6
Myth.....	6
Reality	6
Consumer Protection	7
Myth.....	7
Reality	7
Risks & Consequences.....	8
Closures.....	8
Installments and Title Loans	8
Unscrupulous, Unregulated Online Loan Services.....	8
Unlikely Calls to Action	9
Myth.....	9
Reality	9
MEDIA RELEASE.....	10



About IPLAC

The Independent Payday Loan Association of Canada (IPLAC) is a membership organization of small Canadian owned companies which advocates to all levels of government and with community organizations to achieve a regulatory framework that protects both consumers and lenders.

IPLAC's members take pride in the services they provide and uphold the highest standard of respect for those who find themselves in need of our services. IPLAC's members ensure that all of their clients are treated fairly and equally. Our members provide important services to any employed individual, regardless of race, ethnicity, or orientation or economic status.

IPLAC supports business models that work in the federal, provincial and municipal legal and statutory environments and protect our members and their clients.

IPLAC's members are often the lenders of last resort for a small, short-term, unsecured loan, with no access to bank loans, credit cards or other sources of credit. They understand the costs of the services offered by IPLAC members and they are glad that, when they need help to pay unexpected bills or to address unexpected expenses such as repairs or prescriptions, we are there, early in the morning and late into the night.

Inaccurate Reporting

Of the total loan portfolio in Canada, less than one per cent is unsecured micro loans or payday loans. Yet regularly, the media attacks the payday loan industry, vilifying the services it provides to clients with no access to bank loans, credit cards or other sources of credit.

Recently, CTV News Toronto published a report entitled “Use of payday loans surges amid COVID-19 pandemic, new survey finds.” Referencing the anti-poverty group ACORN Canada report, “Study on High Interest Loans,” the article cites questionable data and biased information to create an impression of victims set upon by predatory lenders. The online survey which forms the basis of the report was sent out to ACORN members and allies, immediately creating a bias. And the number of surveys returned provided only a small sample size.

The article and the report do little to shine light on the confluence of industry regulations, banking policies and economic circumstances which have led to reduction of payday loan lenders and the number of payday loans made. Consumer options for those with annual incomes under \$20,000 are increasingly restricted at a time when the biggest decline in work is among the country’s bottom wage earners, with hourly wages under \$13.91. (CIBC Economics, January 2021)

IPLAC feels it necessary to respond to the incorrect and biased information about our members and their clients. Reporting of this nature is founded upon the idea that our members’ clients are financially uninformed and ignorant, and infers that they are vulnerable based on ethnic background. Our members’ clients are employed, hardworking, informed and intelligent and our members are dedicated to providing them the highest quality of service and information.

Myths and Realities in the Payday Loan Industry

Our Clients

Myth

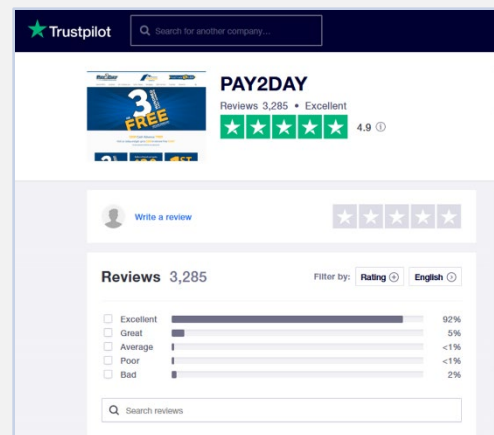
When one reads, listens to or watches reports about the payday loan industry, the narrative is clear, that its customers are uneducated, down and out, financially ignorant victims of “predatory lending.” They propagate the myth that our customers do not understand the loans they are taking and end up dissatisfied with their experience.

Reality

With tens of thousands of positive Google, TrustPilot and other reviews, this myth is, at least, insulting to our customers. At worst, it is racist, sexist and ageist. And it is provably false.

IPLAC’s members provide important services, regardless of race, ethnicity, orientation or economic status. IPLAC’s members provide services to employed clients in all income ranges, with limited access to the small loans (usually under \$500) they need to address everyday or emergency expenses, due to a number of factors, including:

- Credit score issues
- Banks not providing small, unsecured loans
- Credit cards are unavailable or already maxxed out
- Banks holding funds on cheque deposits
- Family and friends unwilling to help with loans



While less than one per cent of the loans in Canada are unsecured microloans, they represent valued and appreciated services. IPLAC’s members provide excellent customer service and are fully transparent and open regarding the highly regulated fees associated with their products. While there are exceptions, our member’s clients are most often appreciative and happy for the ability to visit the store, on average, three to four times a year to borrow a few hundred dollars for a week or two.

Every business has clients not fully satisfied with their experience. Unfortunately, our members are often their client’s lenders of last resort for a small, unsecured loan. While our members provide excellent customer services and detailed information about loans and other services, it is inevitable that there will be customers – a small minority – who are not happy with their experience. These seem to be the only customers referenced or quoted in reports on this industry.



Our Services

Myth

Payday loan lenders also provide installment and title loans. And there is little difference between these.

Reality

Payday lenders provide payday loans. These loans, usually a few hundred dollars, are structured to be paid back in two weeks with reasonable fees to cover the costs of providing the funds.

With the regulatory reductions in allowable fees, installment and title loans have been coming into the market. With rates just below the maximum allowable in Canada, these installment and title loans are effectively unregulated.

Installment loans can be considered similar to bank loans, but unsecured and with rates geared to those unable to access bank loans, credit cards or payday loans. These loans are generally higher than payday loans, which are restricted to \$1,500. Installment loans may be as high as \$15,000. With interest closing in on 60%, clients often find themselves in a cycle of paying interest without denting the principle.

Title loans are generally secured against a vehicle. Interest rates are still at the maximum allowed by Canada. But, should the customer miss a payment or two, the lender takes the car to pay off all or part of the loan.

It is important to know that payday loans are regulated by the government, with customer protections. When payday loans are not available, the customer may find themselves faced with riskier, more dangerous options.

Our Rates

Myth

Payday loan rates are exorbitant, illegal and usurious.

Reality

Payday loans are unsecured micro loans. They are taken out for two weeks with no collateral required, just:

- Current updated bank statement (dated the day you visit our location)
- A blank cheque or pre-authorized debit (PAD)
- The most recent pay stub
- A utility bill, cell bill, mail with the customer's address

It is rare for any client to take out more than 3-4 small loans (\$300 - \$400 on average) per year.

The maximum fees allowed for payday loans in Canadian provinces ranges from \$15 to \$25 per \$100 advanced, which includes all services and administration of quickly creating the loan. In practical terms, customers understand that there are costs associated with establishing and maintaining the store

location, with employing excellent service and management personnel, with processing the loans and all other costs associated with running a small, local business. As well, our intelligent and well-informed customers recognize the risks associated with providing this small amount of money with no collateral.

Our clients appreciate that the provincially regulated costs allowed are barely enough for the lender to cover their costs. In fact, some payday lenders have closed shop permanently, reducing local customer options. In 2020, Cash Max shuttered 26 locations across Ontario.

Most lenders offer additional services, such as cheque cashing, prepaid credit cards, money transfers and money orders and others. In all cases, these services are provided to meet the needs of the customers. Cheque cashing is immediate, without the 3-5 business day hold applied by banks. Customers use these services because they appreciate the convenient locations and hours, the services available and the value of these services.

Consumer Protection

Myth

Despite strong regulation to the payday loan industry across Canada, reports generally are written to reflect the myth that payday lenders are unregulated, or barely so. To read these reports, one would believe that lenders are dedicated to hiding the rates, terms and conditions of their loans and to creating victimized and dissatisfied customers.

Reality

IPLAC members are fully supportive of transparency and information requirements, knowing that informed customers are happier customers.

(An overview of regulations for Ontario can be found at <https://www.ontario.ca/page/payday-loan-your-rights>).

To be clear, IPLAC's members provide services to any qualified customer, providing them full information regarding the services they need. Employees are well trained, diverse and work hard to provide transparent service to every customer.

Risks & Consequences

The changes to payday loan regulations have created both foreseeable and unforeseen consequences, most of which negatively impact Canadians needing unsecured micro loans.

Closures

Regulations reducing the costs of loans requires a reevaluation of risks for our lenders. Unsecured micro loans must address, in their costs, higher default rates and other costs that are more common to this market segment. Regulations reducing costs have led to payday lenders closing. As previously mentioned, Cash Max, for example, left the market, closing 26 stores and reducing customer options.

In Ontario, the number of independent lenders has fallen. And in 2020, the number of loans issued has dropped almost 40%.

The need for unsecured micro loans does not diminish with increased regulation. In fact, the cumulative effect of excessive government regulations on payday loans have forced larger payday lenders to find alternative product offerings which can be less manageable for its customers, who are used to paying back their loans in two weeks.

Installments and Title Loans

Payday loans are structured to be repaid in full over the course of two to four weeks. This allows the customer to address their immediate needs without accumulating costs over the longer term.

Now, unable to effectively address risks in payday loans, some lenders are promoting installment and title loans to their prospective customers. These loans are often larger, taken over a longer repayment period and less manageable for many customers. As lenders must address risk, the interest associated with such loans, over time, compounds to higher costs and can create difficult situations. Unmade payments can lead to aggressive collections calls and further negative impact to the customer's credit rating. With title loans, this may include a client's car being seized to address unpaid loan payments.

Unscrupulous, Unregulated Online Loan Services

As local payday loan stores close or reduce their services, some people will turn to unscrupulous, unregulated online loan services. Created with a .ca domain name, the online service can be based anywhere in the world, with Panama being a favourite.

Not restricted by provincial regulations, loans from these services can be offered to those who are not employed and with little hope of repaying their loan. Costs can be double or more the \$15 per \$100 of IPLAC members. For a customer in need of an immediate loan, \$35 per \$100 will often be a price worth paying.

Worse, because the customers provide banking information and access during the application process, online customers have reported having their accounts accessed and their funds stolen. As these online lenders are unregulated, abused customers have no government recourse.

Unlikely Calls to Action

Myth

When mentioned at all, most reports suggest that if banks were legislated to provide services to those using payday loan services, customers would be better off.

Reality

Most reports about payday lending include recommendations for Canadian banks to:

- Provide access to low interest credit for emergencies
- Provide low interest overdraft protection
- Provide no holds on cheques
- Lower the NSF fees

The reality is that these recommendations run counter to the banking business model, as each increases risk and the likelihood of reduced profits. Were the banks forced to meet these conditions, it is inevitable that, to meet the increased risks, rates would be increased and additional fees added, perhaps exceeding the regulated costs allowed to payday lenders.

IPLAC's members address these risks as a part of their business model, making credit available to those that banks and credit card companies refuse.



MEDIA RELEASE

IPLAC RESPONDS TO INACCURATE, CONFLATED REPORTS

FOR IMMEDIATE RELEASE

March 1, 2021

(MISSISSAUGA, ONTARIO) The Independent Payday Loan Association of Canada (IPLAC) feels it necessary to respond to the insulting and inaccurate ACORN Canada report “Study on High Interest Loans – A Report” and the CTV report “Use of payday loans surges amid COVID-19 pandemic, new survey finds”.

On February 17, 2021, local media reported, on television and on the web, protests against “predatory lending” led by the anti-poverty activist group. Much of the information in this report was sourced from their report, whose content vilified the payday loan industry, calling for aggressive additional laws and regulations. It also included a wish list for the banks, inaccessible to many who use payday loan services.

The report builds fear, inaccurately confounding short term fees with long term interest and conflating well regulated payday loan products with less regulated installment and title loans.

The report also suggested a level of dissatisfaction with payday loans which is significantly higher than that reported in the industry’s own regular customer services surveys.

Most notably, the inference of the reports is that our customers are victims of “predatory lending.” IPLAC’s members provide excellent customer service and are fully transparent and open regarding the regulated fees associated with their products. Our customers are hardworking and employed but without access to standard lending channels. They are most often appreciative and happy for the ability to visit the store, on average, three to four times a year to borrow a few hundred dollars for a week or two.

Worse, the report proposes additional regulations to increase costs to our members, some of who have already left the market after the last round of government constraints. These recommendations would prevent our clients from accessing a legal, government regulated channel to meet their short-term needs. But the alternative, the banks providing more and better products for low-income customers, is almost fantastical. Banks are structured especially to avoid servicing our customers. It would seem that the report suggests that our customers simply endure, losing their jobs, their homes and their health.

Payday lenders are often the lenders of last resort for a small, short-term, unsecured loan. Our clients understand this and understand the costs associated with making this service available. And they are glad that, when they need help, we are there, early in the morning and late into the night.

IPLAC asks Canadian media to provide an accurate, balanced view of our industry and show the benefits we provide to our clients. More, we ask that they pay the respect due to those who turn to IPLAC members when rejected by banks and other financial institutions. These are intelligent individuals who work hard and do not deserve the insulting coverage they receive.



About IPLAC

We at IPLAC are a group of short term lending organizations who are Canadian operator owned and reflect the value of responsible lending.

Our mission is to work with stakeholders, legislators and regulators to create a safe and legally regulated environment where clients can borrow money when larger institutions will not allow them to do so.

IPLAC's members ensure that all of their clients are treated fairly and equally. Our members provide important services to all, regardless of race, ethnicity, or orientation or economic status.

About Patrick Mohan

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

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.

For more information:

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To download our complete response to these inaccurate reports, visit iplac.ca.



For accurate and honest information about the Independent Payday Loan Association of Canada and the payday loan industry, please contact IPLAC.



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