

To: Council in Committee of the Whole

From: Tracy Adams, Commissioner,
Corporate Services Department

Report Number: CNCL-20-76

Date of Report: May 20, 2020

Date of Meeting: May 25, 2020

Subject: Licensing Payday Loan Establishments

File: D-2200

1.0 Purpose

This report responds to City Council's ("Council") November 4, 2019 direction as follows:

"Whereas the City of Toronto recently approved regulatory changes required to prohibit the issuance of new business licenses to payday loan outlets; and,

Whereas there are concerns that the payday loan establishments are 'predatory' and take advantage of low-income residents who do not have access to credit and become trapped in debt cycles as a result of payday loan exorbitant fees;

Therefore be it resolved that staff be directed to undertake municipal benchmarking, review licensing options available and report back to the Corporate Services Committee with the results of the review."

This report presents information on municipal benchmarking and seeks direction from Council regarding the recommended option.

Attachment 1 is a copy of the Ministry of Government and Consumer Services Payday Loan Poster.

Attachment 2 is a copy of the City's response to the 2016 correspondence received from the City of Ottawa.

Attachment 3 is a copy of the Provincial guide for payday lenders.

Attachment 4 is a copy of the Provincial information for borrowers.

Attachment 5 is information on municipal benchmarking.

2.0 Recommendation

It is recommended to City Council:

1. That in accordance with Section 5.6.2 of Report CNCL-20-76, "Licensing Payday Loan Establishments", dated May 20, 2020, the Licensing By-law 120-2005, as amended, and General Fees and Charges By-law 13-2003, as amended, be further amended to:
 - establish a licensing system for payday loan establishments as generally set out in Section 5.6 of the Report
 - restrict the number of payday loan establishments to 2 per ward to a maximum of 10 in the City
 - prohibit new payday loan establishments in the Downtown Urban Growth Centre as defined in the Oshawa Official Plan
 - establish a minimum 150m setback from other payday loan establishments and elementary and secondary schools
 - include appropriate grandfather provisions for existing establishmentsand that such an amending by-law be passed in a form and content acceptable to the Commissioner of Corporate Services and Legal Services; and,
2. That the notice provisions of By-law 147-2007 be waived in connection with the introduction of the licensing system for payday loan establishments and associated fees; and,
3. That Council requests the Province of Ontario to limit the annual interest rates to a reasonable amount for all payday loans; and,
4. That Council requests the Federal Government to:
 - Require chartered banks and credit unions to have branches in low-income neighbourhoods which offer credit lines to low-income people at the same rates they offer to other customers;
 - Work with partners such as credit unions and chartered banks, to encourage and steward the development of lower-cost financial products that can provide an alternative for users of payday loan establishments; and,
5. That this report and resolution be forwarded to Prime Minister Trudeau, Premier Ford, local Oshawa MP's and MPP's, the Region of Durham, all Durham municipalities, the Federation of Canadian Municipalities and the Association of Municipalities of Ontario.

3.0 Executive Summary

Not applicable.

4.0 Input From Other Sources

The following were consulted in the preparation of this report:

- Legal Services
- Planning Services
- Ministry of Government and Consumer Services Consumer Services Operations Division – Licensing Unit
- Municipalities: Ajax, Barrie, Chatham-Kent, Clarington, Hamilton, Kitchener, London, Ottawa, Pickering, Sarnia, Toronto, Whitby

The following works are cited in the Literature Review in Section 5.2:

- Bond, Sabrina. “Filling the Gap. Canada’s Payday Lenders.” The Conference Board of Canada. November 2016, https://www.conferenceboard.ca/temp/313ab0b2-5e4c-45c7-89fa-55e381443eed/8369_Filling-the-Gap_RPT.pdf
- Buckland, Jerry. “Payday Lending: A Mature Industry with Chronic Challenges.” March 14, 2016, http://www.pubmanitoba.ca/v1/payday_loan_review2016/cac_4_tab_2_literature_review_j_buckland.pdf
- Dijkema, Brian. “New Powers, New Responsibilities: A Guide for Municipalities on Payday Loan Regulation.” Cardus. April 9, 2018, <https://www.cardus.ca/research/work-economics/reports/new-powers-new-responsibilities-a-guide-for-municipalities-on-payday-loan-regulation/>
- Dijkema, Brian. “The Changing Face of Payday Lending in Canada.” Cardus, June 26, 2019, <https://www.cardus.ca/research/work-economics/reports/the-changing-face-of-payday-lending-in-canada/>.
- Marsh, Sarah, Dildar, Yasir, and Janzen, Rich. “Payday Lending: In Search of a Local Alternative.” Wellesley Institute. March 2010, https://www.wellesleyinstitute.com/wp-content/uploads/2010/05/Payday_loan_final_report.pdf
- Stegman, Michael. “Payday Lending.” Journal of Economic Perspectives. 2007, <https://www.aeaweb.org/articles?id=10.1257/jep.21.1.169>

5.0 Analysis

5.1 Background

This report responds to the Council's November 4, 2019 direction (CORP-19-90) as follows:

"Whereas the City of Toronto recently approved regulatory changes required to prohibit the issuance of new business licenses to payday loan outlets; and,

Whereas there are concerns that the payday loan establishments are 'predatory' and take advantage of low-income residents who do not have access to credit and become trapped in debt cycles as a result of payday loan exorbitant fees;

Therefore be it resolved that staff be directed to undertake municipal benchmarking, review licensing options available and report back to the Corporate Services Committee with the results of the review."

A payday loan is typically described as a small value, unsecured loan taken out for a short time, typically until the client's next payday, which is obtained at a retail store or online. Payday loans are understood to be the most expensive form of consumer loan in Ontario (see **Attachment 1**). These businesses may also offer cheque cashing and provide other services that traditional financial institutions may not. Payday loan establishments may operate through a physical storefront or online website.

Concerns have been raised that payday loan establishments may negatively impact low-income residents who have limited access to financial services. This concern is unsurprising, given that studies have shown that payday loan clients typically have annual household incomes under \$50,000 (Marsh et al. 12). The City of Oshawa ("City") has identified concerns regarding underserved areas of the City and financial services in both the Oshawa Community Needs Assessment and the Wentworth Street West Community Improvement Plan. The Oshawa Community Needs Assessment has identified a need to improve ongoing access to formal financial institutions, especially in Priority Neighbourhoods and the Wentworth Street West Community Improvement Plan seeks to encourage the establishment of a full service financial institution in the Wentworth Street West area.

At its May 24, 2016 meeting, Council received correspondence from the City of Ottawa requesting the City of Oshawa endorse a resolution requesting the Province amend the Municipal Act, 2001, S.O. 2001, c. 25 ("Municipal Act, 2001"), to permit Ontario municipalities to enact licensing by-laws for payday loan establishments that could limit such establishments by location and number (**Attachment 2**). The resolution was endorsed and shared with additional stakeholders. The Municipal Act, 2001 was subsequently amended in 2017, as outlined in Section 5.3 of this Report.

5.2 Literature Review: Benefits and Detractors of Payday Loan Establishments

Payday loan establishments are thought by some to be predatory in nature posing a threat to consumers due, in part, to the high cost of borrowing. An example of this concern is depicted in the Ministry of Government and Consumer Services' poster and handout (**Attachment 1**) which is required to be displayed/provided at all payday loan businesses. Notwithstanding this, they have also been regarded as providing a necessary service to members of the community who may have limited financial services options.

A report by the Conference Board of Canada stated that payday loans can enhance the welfare and productive capacity of informed consumers, leading to improved financial management with labour force participation and better family health outcomes (Bond 42). Obtaining a payday loan may be a better alternative than accumulating nonsufficient funds fees, fees levied by companies for missed bill payments or utility disconnection/reconnection fees (Dijkema, "New Powers" 5). According to some studies, many payday loan users choose payday loans as a tool to meet basic necessities (Dijkema, "New Powers" 5). In fact, one study found that municipal restrictions on the number of payday loan businesses had a negative effect on some consumers in that restrictions created an oligopoly for small-dollar loans with existing locations having an almost permanent, government-protected and enforced oligopoly on the service, limiting available credit options for certain consumers (Dijkema, "Changing Face" 8).

In contrast, some sources state that this form of loan has a high cost and a cyclical nature for users (Buckland 16; Marsh et al. 6). Others claim that the costs of payday loans do not just affect the individual household, but extend into the community. One report contends that payday lending is correlated with violence, property crime, increased need of social assistance, and increased premature mortality (Dijkema, "New Powers" 4). Another found that more restrictive regulations resulted in jurisdictions with fewer payday loan businesses and that would-be borrowers did not substitute new methods of obtaining short-term access to funds, instead employing other financial management strategies such as limiting spending (Buckland 27).

Though clustering prevention controls may decrease customer convenience and make it more challenging for lenders to find prime locations, they may not cause the benefits desired, as those who borrow regularly often use more than one lender at a time in order to pay others back (Stegman 175). Furthermore, anti-clustering attempts may "discourage price competition among payday lenders" (Stegman 175).

5.3 Existing Regulatory Framework

Federal:

The Criminal Code of Canada, R.S.C. 1985, c. C-46 ("Criminal Code") defines "payday loan" as "an advancement of money in exchange for a post-dated cheque, a pre-authorized debit or a future payment of a similar nature but not for any guarantee, suretyship, overdraft protection or security on property and not through a margin loan, pawnbroking, a line of credit or a credit card."

Section 347.1(3) of the Criminal Code permits payday loans subject to the existence of sufficient provincial regulation and protection for recipients of payday loans, including limits on the total cost of borrowing.

Provincial:

Payday loan establishments are regulated through the Payday Loans Act, 2008, S.O. 2008, c. 9 ("Payday Loans Act, 2008") and must be licensed by the Province of Ontario. The Payday Loans Act, 2008 defines "Payday Loan" as "an advancement of money in exchange for a post-dated cheque, a pre-authorized debit or a future payment of a similar nature but not for any guarantee, suretyship, overdraft protection or security on property and not through a margin loan, pawnbroking, a line of credit or a credit card". A "Lender" is a person or thing "that makes a payday loan to a borrower or holds oneself out as available to make such a loan".

Under the Payday Loans Act, 2008:

- a person cannot be charged more than \$15 for every \$100 borrowed
- a person cannot be sold or offered any goods or services in connection with the payday loan
- a person has two (2) business days to cancel a contract for a payday loan without any penalty (e.g. without paying a fee) and without having to give a reason
- "rollover" loans are not allowed (e.g. a person cannot roll what they owe on a payday loan into a second payday loan), as people are prohibited from getting another payday loan from the same lender before paying their first loan in full.

Payday lenders must:

- Be licensed with the Government of Ontario
- Include specific information of the first page of their contracts (e.g. the amount being borrowed, length of loan and cost of the loan)
- Not ask for or accept payment by automatic deduction from your paycheck

Additional regulations relate to things such as:

- What a lender can/cannot do if a customer fails to meet the terms of their loan agreement
- Educating customers about the cost of loans

A provincial guide for payday lenders has been appended as **Attachment 3**. Provincial information for borrowers has been appended as **Attachment 4**.

Municipal:

The Municipal Act, 2001 permits municipalities to license payday loan establishments. The Municipal Act, 2001 was recently amended by the Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2017, S.O. 2017, c. 5 – Bill 59, to permit municipalities to define the area of the municipality in which a payday loan establishment may or may not operate and limit the number of payday loan establishments in any defined area in which they are permitted. It also stipulates that municipalities shall not prohibit the operation of all payday loan establishments in the municipality.

There are currently land-use controls established in the City's Zoning By-law 69-94, as amended ("Zoning By-law"); they are as follows:

- Zoning regulations related to "Financial Institutions"
 - "Financial Institution" means an establishment which provides money management services directly to the public, including a bank, trust company, credit union, securities firm, finance company, mortgage brokerage or any other similar use
- Set back distances in the Central Business District (Section 16.4)
 - "No **payday loan business**, tattoo parlour or pawn shop shall be located closer than 50m to another lot occupied by a payday loan business, tattoo parlour or pawn shop"

5.4 Municipal Benchmarking

Some municipalities have chosen to regulate payday loan establishments through zoning by-laws and/or business licensing by-laws. Some zoning by-laws establish minimum set back requirements between payday loan establishments and other land uses (e.g. gaming institutions, other payday loan establishments, etc.), and limiting zones where the use is permitted, among other restrictions. Business licensing by-laws may involve zoning by-law compliance checks, restrictions on the number of licences issued, setback requirements, and the required provision of information on consumer protection resources, among other requirements. The results of municipal benchmarking have been appended as

Attachment 5.

5.5 Current Payday Loan Establishments in the City Of Oshawa

A search of a provincial database on March 25, 2020, identified eighteen (18) payday loan establishments licensed to operate in the City. The identified establishments are listed in **Table 1** below.

Table 1 Provincially Licensed Local Payday Loan Establishments

Name	Ward	Location
Money Mart	1	300 Taunton Rd E
Cash 4 You	2	1208 Simcoe St N
Cash Money	2	1180 Simcoe St N Unit 7
Money Mart	2	1053 Simcoe St N
Cash 4 You	4	333 King St W Unit B
Cash 4 You	4	64 Simcoe St N
Cash Express	4	378 King St W Unit 102
Cash King	4	282 King St W Unit 1
Cash Money	4	346 King St W
CashMax	4	1 Warren Ave Unit 105
Money Mart	4	16 Simcoe St N
Money Mart	4	428 King St W
Oshawa Payday Loans	4	204 King St E
Pay2Day	4	420 King St W Unit 2
Payday Loan Direct	4	129 King St E 2
Pay2Day	4	420 King St W Unit 102
Cash Money	5	576 Ritson Rd S
Money Mart	5	301 Wentworth St W

5.6 Regulatory Recommendation: Limit the Number and Location of Payday Loan Establishments and Establish a 150 metre Set Back

Following staff's review of the issue, limiting the number of payday loan establishments in the City and establish a 150 metre set back between other payday loan establishments and certain schools is recommended for Council's consideration:

The number of payday loan establishments would be restricted to two (2) per ward with an overall total of ten (10) in the City subject to the following:

- There would be **no additional licences issued** for locations in wards that do not currently have up to two payday loan locations (e.g. Wards 1 and 3) until the overall number in the City is below ten (10) as appropriate;
- Existing payday loan establishments that obtain a licence would be allowed to continue in their current location, regardless of the per ward limit (e.g. grandfathering);
- Should a payday loan establishment cease to operate, no future licence would be issued in its place if the ward and City-wide capacity is already reached; and,

- Furthermore, existing payday loan establishments would not be permitted to transfer a licence to a new location. In these instances, a new licence would be required and the approval would be subject to compliance with the ward and City-wide licence caps.

The aforementioned approach would encourage the elimination of the current “clustering” of like-businesses with the intent of reducing the number of payday loan establishments in the City over time. Limiting the number of payday loan establishments on a per ward basis may contribute to the City’s poverty reduction goals by helping prevent an oversaturated payday loan market in the City and limiting the number of businesses that provide access to high cost loans.

With this in mind, it is important to note that the online availability of payday loans would be a limitation to the success of a municipal licensing system in enhancing protections for customers of payday loan establishments.

Payday Loan Business Establishment Licensing Requirements and Fees

Applicants for a payday loan establishment business licence would be required to:

- Submit proof of a valid provincial payday lender licence
- Submit proof of applicable insurance
- Receive zoning approval
- Agree to provincial requirements for posters and educational material
- Confirm that they advertise credit-counselling services

In order to assist with cost recovery, the proposed cost of a licence would be \$225 (consisting of a \$150 licensing fee and a \$75 application fee).

Set back requirements would be introduced to the Licensing By-law as required to prohibit a payday loan establishments from operating within 150 metres (492 feet) of another payday loan establishment or schools including public, separate, private elementary and secondary and Montessori schools. In addition, the new payday loan establishments would not be permitted in the Downtown Urban Growth Centre and existing payday loan establishments in this area could not transfer to another location in the area.

Recommendations to the Provincial and Federal Governments: Additional Measures

In addition to the introduction of a new business licence, it is also recommended that the City urge the provincial and federal governments take additional measures regarding financial services and low-income neighbourhoods by requesting:

- That the Province of Ontario limit the annual interest rates for all payday loans to reasonable rates; and,
- That the Federal Government:
 - Require chartered banks and credit unions to have branches in low-income neighbourhoods which offer credit lines to low-income people at the same rates they offer to other customers; and,

- Work with partners such as credit unions and chartered banks, to encourage and steward the development of lower-cost financial products that can provide an alternative for users of payday loan establishments.

This is consistent with the City's initiatives through the Wentworth Street West Community Improvement Plan and the Oshawa Community Needs Assessment, as discussed in Section 5.1 of this Report, to improve access to full service financial institutions in low-income neighbourhoods where there are financial deserts. It also addresses the intent of the Poverty, Reduction Approach approved by Council on April 27, 2020 and the proposed 2020-2023 Oshawa Strategic Plan by addressing economic disparity and poverty matters in our community.

6.0 Financial Implications

There are no financial implications associated with the recommendation in this report. The costs associated with administering the recommendation would be recovered through licensing fees.

7.0 Relationship to the Oshawa Strategic Plan

The recommendation in this report respond to the Oshawa Strategic Plan Goal of Accountable Leadership.



Brenda Jeffs, Director,
Municipal Law Enforcement and Licensing Services



Tracy Adams, Commissioner,
Corporate Services Department

Attachments

Ministry of Government and Consumer Services Poster

Note: All payday loan businesses in Ontario must display the Ministry of Government and Consumer Services' ("Ministry") Poster (Figure 1) and provide the Ministry's handout (Figure 2)

Figure 1 Ministry Poster

Ministry of Government and Consumer Services

How much will \$300 cost you for two weeks?

If you borrow:	Payday loan (Assuming cost of borrowing is \$15 per \$100)*	Credit card (Assuming a daily interest rate at 23% APR and a service fee of \$3.50 for a cash advance)
One loan	\$45	\$6.15
Two loans	\$90	\$12.29
Four loans	\$180	\$24.59
Six loans	\$270	\$36.88

Complaint? Concern? Please call:
Ministry of Government and Consumer Services at
(416) 326-8800 or 1-800-889-9768 | TTY 416-229-6066 or 1-877-666-6545

Learn more about your consumer rights:
ontario.ca/Consumer

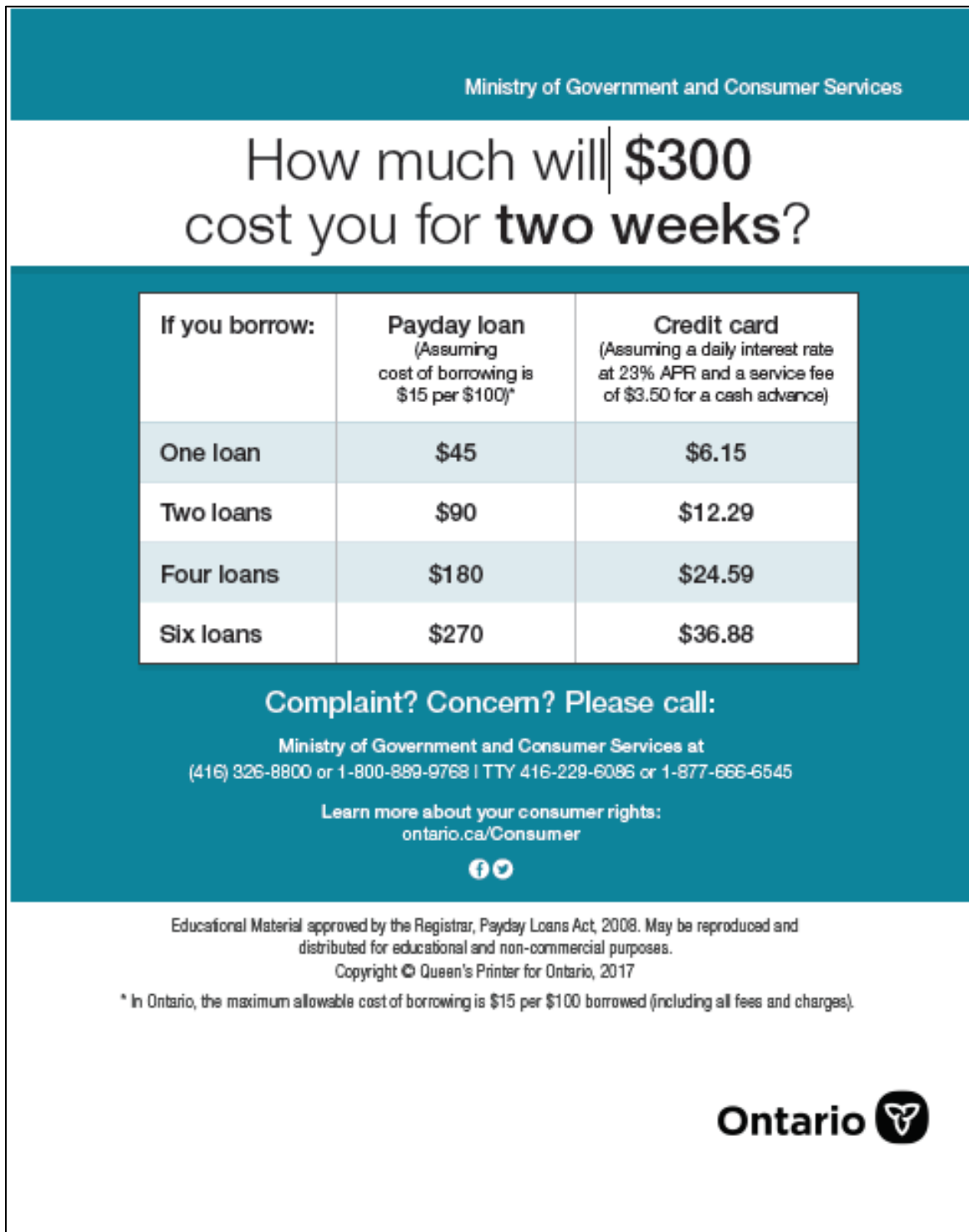
 

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* In Ontario, the maximum allowable cost of borrowing is \$15 per \$100 borrowed (including all fees and charges).

Ontario 

Figure 2 Ministry Handout



File: F-4200

May 31, 2016

DELIVERED BY E-MAIL

(Jim.Watson@ottawa.ca)

Jim Watson
Office of the Mayor
City of Ottawa

Re: Licensing of Payday Loan Establishments

This is in response to your correspondence dated April 21, 2016 to the Premier of Ontario concerning the above-referenced matter.

Oshawa City Council considered the above matter at its meeting of May 24, 2016 and adopted the following resolution:

“That Oshawa City Council endorse the following resolution from the City of Ottawa:

Whereas the interest and fees charged on a loan from a payday loan establishment can exceed by several times the amount of the loan; and,

Whereas there is a clustering of payday loan establishments in areas where financially vulnerable persons reside; and,

Whereas Section 10 of the Municipal Act, 2001 permits the City to enact by-laws respecting: the economic, social and environmental well-being of the municipality; the health, safety and well-being of persons; and the protection of persons and property, including consumer protection; and,

Whereas Sections 10 and 151 of the Municipal Act, 2001 also permits a municipality to license businesses within the municipality; and,

Whereas the City of Hamilton, on February 24, 2016, enacted a licensing by-law amendment in respect of payday loan establishments; and,

Whereas the Municipal Act, 2001 does not permit, other than in respect of adult entertainment establishments, a municipality through licensing to restrict the location or number of the establishments of such business;

Therefore be it resolved that City Council:

1. a) Direct By-law and Regulatory Services to bring a report to the Community and Protective Services Committee and Council recommending an amendment to the Licensing By-law to require that payday loan establishments be subject to licensing by the end of the first quarter of 2017; and,
- b) Direct staff to consult with all stakeholders prior to the submission of such report and reflect the results of these consultations in the report; and,
2. Request that the Provincial government bring forward an amendment to the Municipal Act, 2001 that would permit municipalities to enact a licensing by-law for payday loan establishments that could limit such establishments by location and number; and,

Be it further resolved that this motion be circulated to the Federation of Canadian Municipalities, the Association of Municipalities of Ontario, the Large Urban Mayors' Caucus of Ontario, the Big City Mayors' Caucus, the Council of the Region of Durham, and Durham Region Members of Provincial Parliament."

By copy of this letter, I am advising the parties named in the above resolution of Oshawa Council's decision.

If you need further assistance please contact me at the address listed below or by telephone at 905-436-3311.

Sandra Kranc
City Clerk

/kb

copies:

Federation of Canadian Municipalities
Association of Municipalities of Ontario
Large Urban Mayors' Caucus of Ontario
Big City Mayors' Caucus
Joe Dickson, M.P.P., Ajax-Pickering
Tracy MacCharles, M.P.P., Pickering-Scarborough East
Granville Anderson, M.P.P., Durham
Jennifer French, M.P.P., Oshawa
Lorne Coe, M.P.P., Whitby-Oshawa
Laurie Scott, M.P.P., Haliburton/Kawartha Lakes/Brock
Council of the Region of Durham



A guide for payday lenders

Learn about the rules for running a payday loan business.

Overview

In Ontario, the *Payday Loans Act, 2008* (<https://www.ontario.ca/laws/statute/08p09>) is the main law governing payday loans. The *General Regulation* (<https://www.ontario.ca/laws/regulation/090098>) and *Administrative Penalties* (<https://www.ontario.ca/laws/regulation/090209>) Regulation contain additional rules.

This guide explains many of the rules you must follow as a payday lender. You must comply with **all** of the requirements in the act and the regulations — not just the ones summarized in this guide.

If you do not comply with all of the requirements, you could lose your licence or face other enforcement action. Learn more about [compliance and enforcement](#).

Payday loan agreements

A payday loan agreement defines the rights and obligations of both the lender and the borrower. It also includes important information for borrowers.

Content of the agreement

You must make sure that all payday loan agreements include the information set out in [section 18 of the General Regulation](#) (<https://www.ontario.ca/laws/regulation/090098#BK25>). For example, you must include:

- information about borrowers' rights
- a table on the first page of the agreement that provides cost of borrowing information
- the cost of borrowing expressed as an annual percentage rate (APR)

The information must be clear, understandable and easy to see.

Refer to sections [29](#) (<https://www.ontario.ca/laws/statute/08p09#BK33>) and [37](#) (<https://www.ontario.ca/laws/statute/08p09#BK42>) of the *Payday Loans Act, 2008* and section [18](#) (<https://www.ontario.ca/laws/regulation/090098#BK25>) of the *General Regulation* for more information about payday loan agreements.

Restrictions on agreements

As a payday lender, you **cannot**:

- **charge more than \$15 per \$100 borrowed, including all fees and charges directly or indirectly connected to the payday loan agreement**
- offer or provide (including on behalf of someone else) any additional goods or services in connection with the payday loan agreement, such as insurance
- enter into a payday loan agreement if the advance is more than 50 per cent of the borrower's net income per loan
- enter into a payday loan agreement that ends before the borrower is next scheduled to receive income (in most cases, this is the date of the borrower's next paycheque)
- extend a loan agreement past the original termination date
- enter into a new payday loan with a borrower who has an outstanding payday loan balance with you — this means **rollover loans are prohibited**
- use the information in an application for a payday loan, any documentation relating to a payday loan application or the payday loan agreement itself for any purposes other than providing a payday loan

Refer to sections [32 \(https://www.ontario.ca/laws/statute/08p09#BK36\)](https://www.ontario.ca/laws/statute/08p09#BK36), [35 \(https://www.ontario.ca/laws/statute/08p09#BK39\)](https://www.ontario.ca/laws/statute/08p09#BK39) and [36 \(https://www.ontario.ca/laws/statute/08p09#BK40\)](https://www.ontario.ca/laws/statute/08p09#BK40) of the *Payday Loans Act, 2008* and sections [16.2 \(https://www.ontario.ca/laws/regulation/090098#BK23\)](https://www.ontario.ca/laws/regulation/090098#BK23), [17 \(https://www.ontario.ca/laws/regulation/090098#BK24\)](https://www.ontario.ca/laws/regulation/090098#BK24), [23 \(https://www.ontario.ca/laws/regulation/090098#BK30\)](https://www.ontario.ca/laws/regulation/090098#BK30), [27 \(https://www.ontario.ca/laws/regulation/090098#BK36\)](https://www.ontario.ca/laws/regulation/090098#BK36) and [34 \(https://www.ontario.ca/laws/regulation/090098#BK44\)](https://www.ontario.ca/laws/regulation/090098#BK44) of the General Regulation for more information about restrictions on payday loan agreements.

Copy of the agreement

When you enter into a payday loan agreement with a borrower, you must immediately give them a copy of that agreement.

If the borrower requests an extra copy at any time up to a year after the loan agreement ends, you must give it to them:

- for free the first time they request it
- within the first day of receiving the request or the next day that you are open for business

Refer to section [29 \(https://www.ontario.ca/laws/statute/08p09#BK33\)](https://www.ontario.ca/laws/statute/08p09#BK33) of the *Payday Loans Act, 2008* and section [20 \(https://www.ontario.ca/laws/regulation/090098#BK27\)](https://www.ontario.ca/laws/regulation/090098#BK27) of the General Regulation for more information about providing a copy of the agreement.

Instalment payments

If you enter into three or more payday loan agreements with a borrower within a 63-day period, the third agreement (and any subsequent agreements) must provide for an extended payment plan (instalment payments). You must also follow these rules:

- instalment payments must be spread equally over a minimum number of the borrower's pay periods
- instalment payments must not exceed the amount specified in [section 25.1 of the General Regulation \(https://www.ontario.ca/laws/regulation/090098#BK33\)](https://www.ontario.ca/laws/regulation/090098#BK33)
- if a borrower makes a prepayment, you must:
 - adjust all future scheduled instalments and spread them equally over the remaining term of the agreement
 - give the borrower an updated agreement in writing
- the cost of borrowing, when converted to an annual percentage rate, must be less than the criminal rate of interest as defined in the [Criminal Code \(https://laws-lois.justice.gc.ca/eng/acts/c-46/\)](https://laws-lois.justice.gc.ca/eng/acts/c-46/) of Canada (60 per cent), which is calculated differently than the annual percentage rate

Refer to section [25.1 of the General Regulation \(https://www.ontario.ca/laws/regulation/090098#BK33\)](https://www.ontario.ca/laws/regulation/090098#BK33) for more information about instalment payments.

Providing the advance

Before entering into a payday loan agreement, you must:

- tell the borrower about all their options for receiving the loan advance from you (for example, in cash or applied to a debit card)
- provide them with the loan advance in the option they choose

Contacting the borrower's employer

If a borrower consents, you may contact their employer (or employees of that employer) before the borrower enters a payday loan agreement. The contact must be only to confirm the borrower's employment, length of employment, employment income, occupation or business address.

Refer to sections [16.1 \(https://www.ontario.ca/laws/regulation/090098#BK22\)](https://www.ontario.ca/laws/regulation/090098#BK22) and [26 \(https://www.ontario.ca/laws/regulation/090098#BK35\)](https://www.ontario.ca/laws/regulation/090098#BK35) of the General Regulation for more information about providing the advance and contacting the borrower's employer.

Once you enter into an agreement

You must provide the loan advance to borrowers immediately after they enter into the payday loan agreement.

For remote payday loan agreements, such as online loans, you have one hour to make the loan advance accessible to the borrower. Learn more about the [rules for remote payday lenders](#).

If you provide all or part of the loan advance in a form other than cash (for example, the loan advance is applied to a debit card) you must tell borrowers they can:

- immediately receive the loan advance or the outstanding balance in cash and at no charge, if they request it
- make their request for cash verbally or in any other way

If you do not follow these rules, a borrower is only required to repay the loan advance and does not have to pay the cost of borrowing.

Refer to [section 29 \(https://www.ontario.ca/laws/statute/08p09#BK33\)](https://www.ontario.ca/laws/statute/08p09#BK33) of the *Payday Loans Act, 2008* and sections [21 \(https://www.ontario.ca/laws/regulation/090098#BK28\)](https://www.ontario.ca/laws/regulation/090098#BK28) and [22 \(https://www.ontario.ca/laws/regulation/090098#BK29\)](https://www.ontario.ca/laws/regulation/090098#BK29) of the General Regulation for more information about the requirements after you enter payday loan agreements.

Obtaining payment

You must accept payment from a borrower, whether a full payment or partial payment:

- at any time, if they are making payment by one of the methods allowed in the agreement
- without prepayment charge or penalty

No repeat processing charges

You cannot try to process the same payment more than once (such as a pre-authorized debit) if additional attempts will result in the borrower having to pay fees, such as non-sufficient funds (NSF) fees or other charges.

If you attempt to withdraw funds from a borrower's account more than once and the borrower is charged NSF or other fees:

- the borrower is not required to repay the cost of borrowing
- you can be required to pay for any NSF or other fees (after the first attempt)

This rule applies even if you are unaware of any fees payable by the borrower.

Refer to section [31 \(https://www.ontario.ca/laws/regulation/090098#BK41\)](https://www.ontario.ca/laws/regulation/090098#BK41) of the General Regulation for more information about obtaining payments from borrowers.

General restrictions on charges

As a payday lender, you **cannot**:

- impose any default charges on the borrower, except for:
 - reasonable legal costs you incur in collecting the payday loan
 - reasonable costs you incur because the borrower's cheque or pre-authorized debit cannot be processed
- request, require or accept payment that is taken directly from a borrower's paycheque (also known as an assignment of wages)
- request or require payment of any part of the cost of borrowing or the loan advance before the end date specified in the agreement — this includes processing any cheques or pre-authorized debits
 - certain exceptions apply for payday loan agreements with extended payment plans (see [section 25.1 of the General Regulation \(https://www.ontario.ca/laws/regulation/090098#BK33\)](https://www.ontario.ca/laws/regulation/090098#BK33) for more information)

Refer to sections [31 \(https://www.ontario.ca/laws/statute/08p09#BK35\)](https://www.ontario.ca/laws/statute/08p09#BK35), [33 \(https://www.ontario.ca/laws/statute/08p09#BK37\)](https://www.ontario.ca/laws/statute/08p09#BK37) and [34 \(https://www.ontario.ca/laws/statute/08p09#BK38\)](https://www.ontario.ca/laws/statute/08p09#BK38) of the *Payday Loans Act, 2008* and sections [28 \(https://www.ontario.ca/laws/regulation/090098#BK37\)](https://www.ontario.ca/laws/regulation/090098#BK37) and [30.1 \(https://www.ontario.ca/laws/regulation/090098#BK40\)](https://www.ontario.ca/laws/regulation/090098#BK40) of the General Regulation for more information about restrictions on charges.

Contact with borrowers and other persons

The General Regulation contains rules about who you can contact when trying to collect an amount owing under a payday loan agreement. These rules help protect borrowers and their privacy.

As a payday lender you **cannot**:

- collect or attempt to collect from a person who is not the borrower. If the person you contact informs you that they are not the borrower, you must stop contacting them unless you took all reasonable steps to make sure that the person you contacted is the borrower
- contact or attempt to contact the borrower's spouse, family or household members, relative, friend, neighbour or acquaintance, about the borrower's payday loan

The General Regulation also contains rules on how you conduct yourself when contacting a borrower, whether that contact is to collect an outstanding amount or for any other reason:

- telephone calls are restricted to certain times of the day and are not allowed on holidays
- borrowers cannot be contacted more than three times in a seven-day period
- you cannot publish or threaten to publish the borrower's failure to pay
- you cannot use threatening, profane, intimidating or coercive language
- you cannot use undue, excessive or unreasonable pressure
- you cannot communicate or attempt to communicate in a way that results in charges to the borrower (for example, long distance charges)
- you cannot communicate in a manner or with a frequency that can be considered harassment

Refer to sections [26 \(https://www.ontario.ca/laws/regulation/090098#BK35\)](https://www.ontario.ca/laws/regulation/090098#BK35) and [32 \(https://www.ontario.ca/laws/regulation/090098#BK42\)](https://www.ontario.ca/laws/regulation/090098#BK42) of the General Regulation for more information about prohibited practices.

Forfeit of cost of borrowing

As a payday lender, if you do not comply with certain rules, a borrower can refuse to pay you the cost of borrowing or demand a refund of any payment they made to you (other than the amount of the loan advance). For example, they can do this if you:

- exceed the cost of borrowing of \$15 for each \$100 borrowed
- fail to make the loan advance immediately available, or available within one hour if you are a remote lender
- use an application, documentation or agreement relating to a payday loan for any purposes other than providing a payday loan (such as for providing other goods or services)

- request or require early payment of the loan advance or the cost of borrowing before the end of the term of the payday loan agreement (certain exceptions apply for payday loan agreements with extended payment plans)
- process a cheque, preauthorized debit or any other payment more than once where doing so results in a charge to the borrower
- allow the term of the payday loan agreement to end before the borrower is next scheduled to receive income
- fail to give the borrower a written payday loan agreement or one that contains all the information specified in the act and General Regulation

If the borrower demands a refund of the cost of borrowing on the grounds that you failed to comply with the *Payday Loans Act, 2008*, you must give them the refund within the time limits specified in the General Regulation. Failure to do so is an offence.

Refer to sections 6 (<https://www.ontario.ca/laws/statute/08p09#BK7>), 29 (<https://www.ontario.ca/laws/statute/08p09#BK33>), 31 (<https://www.ontario.ca/laws/statute/08p09#BK35>), 32 (<https://www.ontario.ca/laws/statute/08p09#BK36>), 35 (<https://www.ontario.ca/laws/statute/08p09#BK39>) and 44 (<https://www.ontario.ca/laws/statute/08p09#BK52>) of the *Payday Loans Act, 2008* and sections 16.1 (<https://www.ontario.ca/laws/regulation/090098#BK22>), 18 (<https://www.ontario.ca/laws/regulation/090098#BK25>), 21–24 (<https://www.ontario.ca/laws/regulation/090098#BK28>), 27 (<https://www.ontario.ca/laws/regulation/090098#BK36>), 28 (<https://www.ontario.ca/laws/regulation/090098#BK37>), 30–31 (<https://www.ontario.ca/laws/regulation/090098#BK39>) and 34 (<https://www.ontario.ca/laws/regulation/090098#BK44>) of the General Regulation for more information about when a borrower can refuse to pay you the cost of borrowing.

Posters and educational material

Cost of borrowing poster

You must display a poster outlining the cost of borrowing in English at each of your offices. The poster must:

- be visible to borrowers **immediately when they enter the office**
- include **only** the specific information itemized in [subsection 14\(3\) of the general regulation](https://www.ontario.ca/laws/regulation/090098#BK19) (<https://www.ontario.ca/laws/regulation/090098#BK19>)

Refer to section 14 (<https://www.ontario.ca/laws/regulation/090098#BK19>) of the General Regulation for more rules about the cost of borrowing poster.

Approved educational material

The poster is titled "How much will \$300 cost you for two weeks?". It compares the cost of borrowing \$300 for two weeks using a payday loan versus a credit card. The payday loan costs \$45 for one loan, \$90 for two, \$180 for four, and \$270 for six. The credit card costs \$6.15 for one loan, \$12.30 for two, \$24.60 for four, and \$49.20 for six. The poster also includes contact information for the Ministry of Government and Consumer Services and a disclaimer.

If you borrow:	Payday loan (assuming rate of borrowing is \$10 per \$100*)	Credit card (assuming a 20% interest rate at 52% APR and a service fee of \$0.50 for a cash advance)
One loan	\$45	\$6.15
Two loans	\$90	\$12.30
Four loans	\$180	\$24.60
Six loans	\$270	\$49.20

Complaint? Concern? Please call:
Ministry of Government and Consumer Services at:
(416) 325-6000 or 1-800-387-5769; TTY: 416-325-6000 or 1-877-388-4545.
Learn more about your consumer rights:
info.ontario.ca/consumer

*In Ontario, the maximum allowable cost of borrowing is \$15 per \$100 borrowed (including all fees and charges).

Ontario

You must also display the Registrar-approved [educational poster \(https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-poster-en-2019-07-03.pdf\)](https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-poster-en-2019-07-03.pdf) and provide the [educational handout \(https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-letter-en-2019-07-03.pdf\)](https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-letter-en-2019-07-03.pdf) at each of your offices.

The educational poster must be visible immediately to anyone who enters the office, and the handout must be provided to anyone interested in a payday loan.

The handout must be at least standard letter size – 8.5 inches x 11 inches.

Download the educational materials

- [poster \(https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-poster-en-2019-07-03.pdf\)](https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-poster-en-2019-07-03.pdf)
- [handout \(https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-letter-en-2019-07-03.pdf\)](https://files.ontario.ca/mgcs-payday-loan-cost-of-borrowing-letter-en-2019-07-03.pdf)

Refer to [section 5 \(https://www.ontario.ca/laws/regulation/090098#BK8\)](https://www.ontario.ca/laws/regulation/090098#BK8) of the General Regulation for more information about Registrar-approved educational material.

Calculate the cost of borrowing as an annual percentage rate (APR)

You must show the cost of borrowing expressed as an annual percentage rate (APR) in all payday loan agreements, cost of borrowing posters and advertisements. The APR illustrates what the annual rate would be, if actually charged to a borrower for a payday loan.

Use this formula to calculate the cost of borrowing as an APR for a payday loan:

$$\text{APR} = [C \div (T \times A)] \times 100$$

Where,

C = Total cost of borrowing for the payday loan

T = Term of the payday loan agreement, in years

A = Principal amount loaned to the borrower under the payday loan agreement (excludes the cost of borrowing)

Sample APR calculation

Example

You are providing a payday loan of \$500 to a borrower. The maximum cost of borrowing that you can charge is \$15 per \$100 borrowed. Let's assume that the borrower will repay the payday loan, including the total cost of borrowing (\$575), on their next pay date in 2 weeks (14 days). What is the cost of borrowing expressed as an APR for this payday loan?

Step 1

Identify each of the variables in the formula $APR = [C \div (T \times A)] \times 100$.

- The principal amount of this payday loan ("A") is \$500
- The total cost of borrowing ("C") for this payday loan is \$75 (or \$15 per \$100 borrowed)

$(\$500 \div \$100 = 5. \$15 \times 5 = \$75)$

- The term of this agreement in years ("T") is 0.0383561

$(14 \text{ day loan period} \div 365 \text{ days in a year} = 0.0383561)$

Step 2

Calculate the APR using the formula above.

$APR = [C \div (T \times A)] \times 100$

$= [\$75 \div (0.0383561 \times \$500)] \times 100$

$= [\$75 \div \$19.18] \times 100$

$= 391 \text{ per cent}$

Step 3

Include the APR in the payday loan agreement.

The cost of borrowing expressed as an APR for this payday loan agreement is 391 per cent.

Refer to sections [14 \(https://www.ontario.ca/laws/regulation/090098#BK19\)](https://www.ontario.ca/laws/regulation/090098#BK19), [15 \(https://www.ontario.ca/laws/regulation/090098#BK20\)](https://www.ontario.ca/laws/regulation/090098#BK20), [18 \(https://www.ontario.ca/laws/regulation/090098#BK25\)](https://www.ontario.ca/laws/regulation/090098#BK25) of the General Regulation and section [55 \(https://www.ontario.ca/laws/regulation/050017#BK108\)](https://www.ontario.ca/laws/regulation/050017#BK108) of Ontario Regulation 17/05 made under the *Consumer Protection Act, 2002* for more information about including the APR in cost of borrowing posters, advertisements and payday loan agreements.

Rules for remote payday lenders

Main requirements

If you offer a remote payday loan (like an online loan or a loan arranged over the phone), you must:

- immediately tell any potential borrowers about the:
 - information contained on the [cost of borrowing poster](#)
 - information on the licence for the main office
 - available [educational material](#) (handout and poster) and immediately provide it upon request
- ensure the borrower can access the agreement online and is able to retain and print it, before entering into the agreement
- ensure that, before the loan advance is delivered, the borrower consents to entering into the loan agreement in a way that allows you to prove the borrower consented
- make the loan advance accessible to the borrower within one hour of entering into the agreement

Additional rules may apply

There are additional rules that apply to remote payday lenders.

Refer to sections [4](https://www.ontario.ca/laws/regulation/090098#BK7) (<https://www.ontario.ca/laws/regulation/090098#BK7>), [5](https://www.ontario.ca/laws/regulation/090098#BK8) (<https://www.ontario.ca/laws/regulation/090098#BK8>), [14](https://www.ontario.ca/laws/regulation/090098#BK19) (<https://www.ontario.ca/laws/regulation/090098#BK19>), [18](https://www.ontario.ca/laws/regulation/090098#BK25) (<https://www.ontario.ca/laws/regulation/090098#BK25>) and [21](https://www.ontario.ca/laws/regulation/090098#BK28) (<https://www.ontario.ca/laws/regulation/090098#BK28>) of the General Regulation for more information about the rules for remote payday lenders.

Apply for or renew a payday lender licence

The *Payday Loans Act, 2008* requires all payday lenders and payday loan brokers to be licensed.

The Registrar issues licences and provides a certificate of licence for each location of the licensed payday lender. A payday lender licence is valid for one year and must be renewed annually.

Refer to [Part II](https://www.ontario.ca/laws/statute/08p09#BK6) (<https://www.ontario.ca/laws/statute/08p09#BK6>) and sections [20-21](https://www.ontario.ca/laws/statute/08p09#BK23) (<https://www.ontario.ca/laws/statute/08p09#BK23>), [24](https://www.ontario.ca/laws/statute/08p09#BK28) (<https://www.ontario.ca/laws/statute/08p09#BK28>) and [25](https://www.ontario.ca/laws/statute/08p09#BK29) (<https://www.ontario.ca/laws/statute/08p09#BK29>) of the *Payday Loans Act, 2008* and sections [4](https://www.ontario.ca/laws/regulation/090098#BK7) (<https://www.ontario.ca/laws/regulation/090098#BK7>), and [9-11](https://www.ontario.ca/laws/regulation/090098#BK13) (<https://www.ontario.ca/laws/regulation/090098#BK13>) of the General Regulation for more information about payday loan lender licences.

Applying for a licence

To get a payday lender licence, you must:

- [complete the application](http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RDR&TAB=PROFILE&SRCH=&ENV=WWE&TIT=payday&NO=045-12104E)
(<http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RDR&TAB=PROFILE&SRCH=&ENV=WWE&TIT=payday&NO=045-12104E>)
- pay the required fees
- be at least 18 years of age, if applying as an individual
- as a corporation:
 - appoint officers and directors who are at least 18 years of age
 - appoint at least one officer or director who lives in Ontario
- have at least one office that is physically located in Ontario, even if you only offer remote payday loans — please note that a personal residence is **not** considered an office
- have a separate bank account for your business's payday loan activities

Your certificate of licence

Once you are issued a licence to operate as a payday lender, you must post a certificate of licence in each of your offices so it is immediately visible to anyone who enters.

Renewing your licence

Your licence is valid up to the expiry date and must be renewed before it expires to continue operating as a payday lender.

[Renew your licence](http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RDR&TAB=PROFILE&SRCH=&ENV=WWE&TIT=payday&NO=045-12104E) (<http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?OpenForm&ACT=RDR&TAB=PROFILE&SRCH=&ENV=WWE&TIT=payday&NO=045-12104E>)

Renewal conditions

- If the Registrar received your application and renewal fee before the expiration date, your existing licence will continue to be valid until the Registrar approves your renewal application.
- If you don't pay the application fee by the expiration date, your licence will not be renewed and your business cannot continue to operate. You must submit a new application to get a new licence.

Updating the Registrar

You need to notify the Registrar in writing within five days of any of the following changes to:

- your business address
- for a corporation or partnership:
 - the officers or directors
 - the name and address of the officer or director living in Ontario
- any of the information included in an application for a licence or renewal of a licence
- the bank account required in [subsection 11\(1\) of the General Regulation](https://www.ontario.ca/laws/regulation/090098#BK15)
(<https://www.ontario.ca/laws/regulation/090098#BK15>)

Refer to section 22 (<https://www.ontario.ca/laws/statute/08p09#BK25>) of the *Payday Loans Act, 2008* and section 8 (<https://www.ontario.ca/laws/regulation/090098#BK11>) of the General Regulation for more information about updating your information with the Registrar.

Offices, records and advertising

Office location

You can only operate offices and branches at the addresses listed on the licence certificates.

Municipalities have the authority to restrict the location of payday lenders through licensing by-laws. If you operate an office at a location prohibited by municipal by-law, you are in violation of the *Payday Loans Act, 2008* and your licence may be suspended or revoked.

It is your responsibility to make sure you comply with municipal by-laws.

Refer to section 24 (<https://www.ontario.ca/laws/statute/08p09#BK28>) of the *Payday Loans Act, 2008* and section 4 (<https://www.ontario.ca/laws/regulation/090098#BK7>) of the General Regulation for more information about your office location.

Records

You must maintain all documents and records relating to your payday loan activity, including, but not limited to:

- all payday loan applications
- payday loan agreements
- pre-authorized debits
- payments
- bank account statements

You must keep these documents and records:

- separate from documents and records relating to any other lines of business
- at the office for at least two years from the end of the term of the payday loan agreements to which the documents and records relate

Refer to section 12 (<https://www.ontario.ca/laws/regulation/090098#BK16>) of the General Regulation for more information about documents and records.

Bank accounts

You must maintain a separate bank account for your payday loan business, including the receipt and disbursement of funds. You cannot use the account for anything other than payday loan activities.

The account must be:

- opened in Ontario
- registered in your legal name
- in either a:
 - bank or authorized foreign bank (see section 2 of the [Bank Act \(https://laws-lois.justice.gc.ca/eng/acts/b-1.01/\)](https://laws-lois.justice.gc.ca/eng/acts/b-1.01/))

or

- credit union (see the [Credit Unions and Caisses Populaires Act, 1994 \(https://www.ontario.ca/laws/statute/94c11\)](https://www.ontario.ca/laws/statute/94c11))

Refer to section [11 \(https://www.ontario.ca/laws/regulation/090098#BK15\)](https://www.ontario.ca/laws/regulation/090098#BK15) of the General Regulation for more information about maintaining a payday loan business bank account.

Advertising

If your advertisements about payday loans (both verbal and written) mention the cost of borrowing, the loan amount advanced, the repayment of the loan, or the term of a payday loan agreement, then specific additional information must also be included.

For example, the ads must include the:

- maximum allowable cost of borrowing
- cost of borrowing expressed as an [annual percentage rate](#)

This information must be clear, understandable and prominent, and in a form that allows the borrower to keep it.

Refer to section [37 \(https://www.ontario.ca/laws/statute/08p09#BK42\)](https://www.ontario.ca/laws/statute/08p09#BK42) of the *Payday Loans Act, 2008* and section [15 \(https://www.ontario.ca/laws/regulation/090098#BK20\)](https://www.ontario.ca/laws/regulation/090098#BK20) of the General Regulation for more information about advertising.

Compliance and enforcement

Complaints

Consumers can submit complaints about payday lenders to the Ministry of Government and Consumer Services.

If a complaint is filed against your business, the ministry may request additional information from you. By law, you must provide the requested information to the ministry.

Learn more about the [consumer complaint process \(https://www.ontario.ca/page/consumer-complaints-and-enforcement\)](https://www.ontario.ca/page/consumer-complaints-and-enforcement).

Inspections

The Registrar under the *Payday Loans Act, 2008*, and anyone designated by the Registrar, can inspect your business to:

- make sure you are complying with the law
- deal with complaints

An inspector is allowed to access all documents, records and other items that are relevant to the inspection, including those in electronic form.

If asked, you must assist the inspector. You **cannot**:

- obstruct an inspector
- withhold, conceal, alter or destroy documents, records or other items relevant to the inspection

After an inspection, the inspector will review their findings with you and explain the next steps you must take.

The inspector may also issue a Notice of Contravention, outlining any contraventions they observed and requesting that you address them within a specified timeframe.

Refer to section [47 \(https://www.ontario.ca/laws/statute/08p09#BK58\)](https://www.ontario.ca/laws/statute/08p09#BK58) of the *Payday Loans Act, 2008* for more information about inspections.

The Registrar's compliance and enforcement powers

In addition to inspections, the Registrar under the *Payday Loans Act, 2008* has additional powers to ensure compliance with the act. For example, the Registrar can:

- request that you provide information about your business (such as copies of letters, forms, payday loan agreements or financial information)
- order you to amend, restrict or stop using materials that are believed to be false, misleading or deceptive
- propose to suspend, revoke or place conditions on your licence
- propose to refuse to issue or renew your licence

If you fail to comply with the *Payday Loans Act, 2008* and the Registrar serves you with a Notice of Proposed Order or a Notice of Proposal:

- you have the right to request a hearing before the [Licence Appeal Tribunal \(https://slasto-tsapno.gov.on.ca/lat-tamp/en/general-service/appeals-applications/\)](https://slasto-tsapno.gov.on.ca/lat-tamp/en/general-service/appeals-applications/)
- the request for a hearing must be made within 15 days of the issuance of the Notice of Proposed Order or Proposal
- if you do not request a hearing, the Order will be issued by the Registrar and become legally binding

In some cases, you do not have a right to a hearing. For example, if you fail to meet basic requirements for a licence (e.g., failing to pay the fee), the Registrar must refuse your application and there is no opportunity to appeal.

If the Registrar proposes to suspend or revoke your licence and the Registrar considers it in the public interest to do so, the Registrar may suspend your licence immediately. (You may appeal the order; however, the order remains in effect until at least 15 days after the Licence Appeal Tribunal receives the written request for a hearing.)

Refer to sections [9-19 \(https://www.ontario.ca/laws/statute/08p09#BK10\)](https://www.ontario.ca/laws/statute/08p09#BK10), [23 \(https://www.ontario.ca/laws/statute/08p09#BK26\)](https://www.ontario.ca/laws/statute/08p09#BK26), [46 \(https://www.ontario.ca/laws/statute/08p09#BK56\)](https://www.ontario.ca/laws/statute/08p09#BK56), [47 \(https://www.ontario.ca/laws/statute/08p09#BK58\)](https://www.ontario.ca/laws/statute/08p09#BK58), [47.1 \(https://www.ontario.ca/laws/statute/08p09#BK59\)](https://www.ontario.ca/laws/statute/08p09#BK59) and [53](https://www.ontario.ca/laws/statute/08p09#BK59)

(<https://www.ontario.ca/laws/statute/08p09#BK65>) of the *Payday Loans Act, 2008* and section [13](https://www.ontario.ca/laws/regulation/090098#BK17) (<https://www.ontario.ca/laws/regulation/090098#BK17>) of the General Regulation for more information about the Registrar's powers.

Administrative penalties

You may be ordered to pay administrative penalties of up to **\$3,000 in respect of certain contraventions**, including:

- failing to post the cost of borrowing poster or your certificate of licence (see [posted signs and educational material](#))
- failing to include certain information in your payday loan agreement (see [payday loan agreements](#) and [providing the advance](#))
- accepting an assignment of wages from a borrower (see [general restrictions on charges](#))

If an administrative penalty is imposed, you have the right to appeal. This must be done by filing a [notice of appeal](http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/MinistryDetail?OpenForm&ACT=RDR&TAB=PROFILE&ENV=WWE&NO=045-12106E) (<http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/MinistryDetail?OpenForm&ACT=RDR&TAB=PROFILE&ENV=WWE&NO=045-12106E>) with the ministry within 15 days after you receive the Order of Administrative Penalty.

Refer to sections [59-62](https://www.ontario.ca/laws/statute/08p09#BK71) (<https://www.ontario.ca/laws/statute/08p09#BK71>) of the *Payday Loans Act, 2008*, sections [35](https://www.ontario.ca/laws/regulation/090098#BK46) (<https://www.ontario.ca/laws/regulation/090098#BK46>) and [36](https://www.ontario.ca/laws/regulation/090098#BK47) (<https://www.ontario.ca/laws/regulation/090098#BK47>) of the General Regulation, and [Ontario Regulation 209/09 – Administrative Penalties](https://www.ontario.ca/laws/regulation/090209) (<https://www.ontario.ca/laws/regulation/090209>) for more information about administrative penalties.

Charges and offences

If it appears you are not complying with the *Payday Loans Act, 2008*, the regulations or an order made under the act, the Director designated by the Minister of Government and Consumer Services may apply to the Superior Court of Justice for an order, directing you to comply.

You can also be charged with an offence for:

- not complying with the *Payday Loans Act, 2008* or its regulations
- providing false information under the act
- failing to comply with any order made against you under the act

If you are convicted, you can be fined up to \$50,000 and/or imprisoned for up to two years less a day. The same applies to officers and directors who fail to take reasonable care to prevent a corporation from committing an offence and are convicted.

Corporations and other entities can be fined up to \$250,000 upon conviction.

Refer to sections [54](https://www.ontario.ca/laws/statute/08p09#BK66) (<https://www.ontario.ca/laws/statute/08p09#BK66>) and [55](https://www.ontario.ca/laws/statute/08p09#BK67) (<https://www.ontario.ca/laws/statute/08p09#BK67>) of the *Payday Loans Act, 2008* for more information about charges and offences.

Consumer Beware List

If you don't comply with the *Payday Loans Act, 2008* your business name and details will be published on the [Consumer Beware List \(https://www.ontario.ca/page/search-consumer-beware-list\)](https://www.ontario.ca/page/search-consumer-beware-list).

The Consumer Beware List is a public list of businesses that have had compliance or enforcement action taken against them. Information about a business remains on this list for 21 to 27 months.

Learn more about the [Consumer Beware List \(https://www.ontario.ca/page/search-consumer-beware-list\)](https://www.ontario.ca/page/search-consumer-beware-list)

Other services – cheque cashing

The limit on the fee for cashing government cheques is the lesser of:

- \$10
- \$2 plus 1 per cent of the face value of the cheque

For example:

- for a \$500 government cheque, the limit on the fee for cashing the cheque is \$7
- for a \$1,000 government cheque, the limit on the fee for cashing the cheque is \$10

If you require a consumer to purchase a good or service in order to cash a government cheque, the purchase price of the good or service must be included in the fee you charge for cashing the government cheque.

You must also provide a receipt to the consumer that includes:

- a statement that the cheque was a government cheque
- the face value of the cheque
- the amount of the fee that you charged the consumer for cashing the cheque
- a description of any other services or goods provided to the consumer in relation to cashing the cheque
- the balance that you paid to the consumer on cashing the cheque
- the date when you cashed the cheque
- your business name, address, telephone number, and other contact information, such as fax number and e-mail address (if applicable)
- information for contacting the ministry

Refer to sections [71.1 and 71.2 \(https://www.ontario.ca/laws/regulation/050017#BK126\)](https://www.ontario.ca/laws/regulation/050017#BK126) of Ontario Regulation 17/05 under the *Consumer Protection Act, 2002* for more information about cheque cashing.

Contact us

If you have any questions about this guide, please contact us for assistance:

Registrar, *Payday Loans Act, 2008*
Ministry of Government and Consumer Services
56 Wellesley Street West, 16th Floor
Toronto, Ontario M7A 1C1

- Tel: 416-326-6203
- Toll-free: 1-800-889-9768
- TTY: 416-229-6086
- Toll-free TTY: 1-877-666-6545
- CPOLicensing@ontario.ca (<mailto:CPOLicensing@ontario.ca>)

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Related

[Consumer protection information for businesses \(https://www.ontario.ca/page/consumer-protection-information-businesses\)](https://www.ontario.ca/page/consumer-protection-information-businesses)

[Payday Loans Act, 2008 \(https://www.ontario.ca/laws/statute/08p09\)](https://www.ontario.ca/laws/statute/08p09)

[Ontario Regulation 98/09 \(General\) \(https://www.ontario.ca/laws/regulation/090098\)](https://www.ontario.ca/laws/regulation/090098)

[Ontario Regulation 209/09 \(Administrative Penalties\) \(https://www.ontario.ca/laws/regulation/090209\)](https://www.ontario.ca/laws/regulation/090209)



Payday loan: your rights



What you need to know before you take out a short-term, cash advance payday loan from a retail store or online.



As of January 1, 2018, the maximum cost of a payday loan [has been lowered](#).

On July 1, 2018, new rules come into effect affecting both payday lenders and borrowers. [Here's what you need to know. \(https://www.ontario.ca/page/payday-loan-your-rights#section-4\)](https://www.ontario.ca/page/payday-loan-your-rights#section-4)

How it works

A payday loan is:

- usually a small value loan taken out for a short time, typically until your next payday
- loaned at a retail store or online
- the most expensive form of consumer loan in Ontario
- an unsecured loan (you cannot put any property as collateral or guarantee for the loan, you need to provide the lender with a post-dated cheque or a pre-authorized debit)

Most lenders **do not do** credit checks before issuing payday loans. They usually ask borrowers to:

- prove 3 months of continuous employment
- give proof of address (e.g., they can ask to see a utility bill)
- have a chequing account

Costs

Payday loans are an expensive form of credit. Before getting a payday loan, you should consider other ways to borrow money (e.g., from family or friends, a bank or credit union or your credit card).

As of January 1, 2018, the maximum cost of borrowing a payday loan is \$15 for every \$100 that you borrow. This means:

If you borrow \$300 for 2 weeks:	Payday loan (fee)	Credit card (fee with interest at 23%)
1 loan will cost	\$45	\$6.15
2 loans will cost	\$90	\$12.29
4 loans will cost	\$180	\$24.59
6 loans will cost	\$270	\$36.88

The law

The *Payday Loans Act, 2008* (<https://www.ontario.ca/laws/statute/08p09>) helps protect people who take out payday loans.

Under the act:

- you can't be charged more than \$15 for every \$100 that you borrow
- you can't be sold or offered any goods or services in connection with the payday loan
- you have two business days to cancel a contract for a payday loan without any penalty (e.g., without paying a fee) and without having to give a reason
- "rollover" loans are not allowed (this means you can't roll what you owe on a payday loan into a second payday loan. This is because you can't get another payday loan from the same lender before paying your first loan in full)

Rules for payday lenders

Payday lenders must:

- be licensed with the Government of Ontario and follow the rules set by the *Payday Loans Act, 2008*
- include specific information on the first page of your contract
 - the amount you are borrowing
 - the number of days that your loan is for
 - what you will pay to borrow the money
- never ask for or accept payment by automatic deduction from your paycheck (assignment of wages)

If you have not met the terms of your loan agreement (e.g. haven't paid), a lender can't:

- contact you more than 3 times a week (not including regular mail) or on holidays
- contact your spouse, family, household members, relatives, friends, neighbours, or acquaintances at any time
- process a post-dated cheque or pre-authorized debit more than once if it will result in your financial institution charging you any fees, like overdraft or fees for insufficient funds (if a lender does this, you are entitled to recover these fees from the lender and would not be required to pay the cost of borrowing the loan)
- use threatening or intimidating language
- use excessive or unreasonable pressure

New rules coming into effect

Starting on July 1, 2018:

- lenders cannot lend you more than 50% of your net income per loan
- lenders must show the cost of borrowing a payday loan as an annual percentage rate in advertising or agreements
- the maximum fee that cheque cashing services can charge for government-issued cheques is \$2 plus 1% of the face value of the cheque, or \$10 - whichever is less

Extended payment plan

Beginning July 1, 2018, lenders must give you the option of an **extended payment plan** if you take out three loans within a 63-day period.

If you enter into an extended payment plan, you can:

- make prepayments at any time without any additional fee or penalty
- exit the extended payment plan at any time without any additional fee or penalty

You have the option to pay back your loan in equal instalments over multiple pay periods. The amount you pay back per instalment will depend on how frequently you are paid.

If you are paid weekly, bi-weekly, semi-monthly or more frequently:

- your instalments must be spread out over at least three pay periods
- the maximum amount of each instalment is 35% of the combined total of the loan and cost of borrowing

If you are paid monthly or less frequently than semi-monthly:

- your instalments must be spread out over at least two pay periods
- the maximum amount of each instalment is 50% of the combined total of the loan and cost of borrowing

File a complaint

If you believe that a payday lender has broken the rules, you can [file a complaint with us](https://www.ontario.ca/page/filing-consumer-complaint) (<https://www.ontario.ca/page/filing-consumer-complaint>).

Find a licensed lender

Before you get a payday loan:

- always check that a lender is licensed (don't take out a loan unless you see an Ontario licence number, even if borrowing from retail stores or online lenders)
- be aware that there are companies that pose as online payday lenders but are actually "lead generators" that collect personal information from people looking to get a payday loan and then sell it to an actual payday lender (sharing this kind of information can put you at risk of [identity theft](https://www.ontario.ca/page/how-avoid-or-recover-identity-theft) (<https://www.ontario.ca/page/how-avoid-or-recover-identity-theft>)).

[Check if a payday lender is licensed](https://www.consumerbeware.mgs.gov.on.ca/esearch/start.do) (<https://www.consumerbeware.mgs.gov.on.ca/esearch/start.do>)

Ask the right questions

Before you get a pay day loan, you should:

- plan to have enough money in your account to repay the loan and on the day it is due
- understand how much you will pay for the loan if it's overdue
- ask how much will it cost me to borrow this money?
- ask how much will I be charged if I don't pay the loan back on time?
- ask is this payday lender licensed and in good standing?
- ask am I being charged more than \$15 for every \$100 that I'm borrowing?

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Related

[Collection agency: your rights \(https://www.ontario.ca/page/collection-agency-your-rights\)](https://www.ontario.ca/page/collection-agency-your-rights).

[Credit report \(https://www.ontario.ca/page/credit-reports\)](https://www.ontario.ca/page/credit-reports).

[Consumer Protection Ontario \(https://www.ontario.ca/page/consumer-protection-ontario\)](https://www.ontario.ca/page/consumer-protection-ontario).

2020 Payday Loan Regulations: Municipal Benchmarking

Note: Benchmarking has been based on a scan of municipal websites and by-laws available online.

Municipality	Licensing Fees	Ward Limits	City-wide Cap	Poster/Education Requirements	Zoning and/or Licensing Separation Distances
Ajax	N/A	N/A	N/A	N/A	None
Barrie	N/A	N/A	N/A	N/A	Zoning By-law: <ul style="list-style-type: none"> 100 m from other payday loan businesses, tattoo parlours, body piercing parlours, or pawnshops within the Central area Commercial and Transition Centre Commercial zones
Chatham-Kent	<ul style="list-style-type: none"> Initial: \$575 Renewal: \$118 	N/A	6	Yes	None
Clarington	N/A	N/A	N/A	N/A	None
Hamilton	<ul style="list-style-type: none"> Initial: \$897 - \$1146 Renewal: \$820 Late fee: \$327 	1/ward	15	Yes	None
Kitchener	<ul style="list-style-type: none"> Initial: \$575 Renewal: \$375 Late fee: \$450 	2/ward	10	No	Licensing By-law: <ul style="list-style-type: none"> 500 m from other payday loan businesses, gaming establishments, and gambling or addiction counselling services
London	<ul style="list-style-type: none"> Initial: \$400 Renewal: \$400 Late Fee: \$75 	No	No	Yes	None
Ottawa	N/A	N/A	N/A	N/A	Zoning By-law: <ul style="list-style-type: none"> 1000 m from other payday loan businesses 500 m from casinos and racetracks 300 m from schools and post-secondary educational facilities

Municipality	Licensing Fees	Ward Limits	City-wide Cap	Poster/Education Requirements	Zoning and/or Licensing Separation Distances
Pickering	N/A	N/A	N/A	N/A	None
Sarnia	<ul style="list-style-type: none"> • Initial: \$363.65 • Renewal: \$317.15 • Late fee: \$35-100 	N/A	7	Yes	Licensing By-law: <ul style="list-style-type: none"> • 500 m from other licensed payday loan businesses
Toronto	<ul style="list-style-type: none"> • Application: \$658.44 • Renewal: \$321.47 	Varies	212	Yes	Licensing By-law: <ul style="list-style-type: none"> • 500 m from racetracks
Whitby	N/A	N/A	N/A	N/A	None