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# Payday lenders closing stores amid new restrictions

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JURIS GRANEY

Payday loan licences have dropped by more than one-quarter since the NDP government enacted stricter rules for lenders in 2016 and more brick-and-mortar stores could be shuttering over the next 12 months, warns the president of the industry association.

Prior to Bill 15, also known as the Act to End Predatory Lending, payday loan companies had about 230 licensed stores in Alberta.

But as of two weeks ago, that number had dropped to 165, Canadian Consumer Finance Association president and CEO Tony Irwin said.

Cash Money, Canada's second largest lender, has withdrawn from payday loans altogether and no longer offers products as they exist under the new legislation because "it simply wasn't viable for them," Irwin said.

A payday loan of \$1,500 or less must be repaid within two months. In 2016, the government estimated Alberta has about 240,000 payday loan holders borrowing about \$500 million a year.

The legislation, which came into effect in May 2016, saw the borrowing rate on every \$100 drop to \$15 from \$23. It prohibits lenders from charging a fee to cash a payday loan cheque, prohibits soliciting customers directly by email or phone, and prevents companies from offering a loan when customers already have one outstanding with the company.

Lenders are no longer allowed to penalize customers for paying back loans early, are required to provide all loans with instalment plans and must restrict the number of times a lender can make pre-authorized withdrawals.

Irwin said the store closures were not a surprise but the number was "disappointing."

Even though larger players like

Cash Money and Money Mart are transitioning to offering instalment loan products, they are not replacement products for payday loans, he said.

And while it is good other products are being developed for consumers, he would rather see that happen "because industry is creating them in response to consumer demand, not because government has essentially shut down a product that is needed and was working pretty well."

Service Alberta Minister Stephanie McLean said she is happy with the pace of change happening in the industry.

McLean pointed to the success of a partnership between Cashco and ATB financial that enables customers — new and old — to access lower-cost short- and medium-term credit products. Servus Credit Union and Connect First Credit Union are also offering mini-loan products.

Servus Credit Union to date has issued 185 loans totalling more than \$290,000 and more than 5,000 Albertans have applied for accounts under the Cashco/ATB arrangement, McLean said.

Government is required to report annually the total value of payday loans provided in Alberta, the number of payday loan agreements entered into, the number of repeat payday loan agreements entered into, the average size and term length of payday loans, and the total value of payday loans that have gone into default and been written off.

The first report is expected in the spring.

McLean said the argument that the closure of brick-and-mortar stores is indicative of the state of the industry doesn't "paint the whole picture." She argues that companies are now offering more online products that didn't require storefronts.