ACORN CANADA

STUDY ON HIGH INTEREST LOANS

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EXECUTIVE SUMMARY

ACORN Canada undertook a study focusing on high interest loans, especially when taken online. For the purpose of the study, high interest loans were defined as loans such as payday loans, installment loans, title loans etc. that are taken from companies/institutions that are not regular banks or credit unions.

The study was conducted to examine the experience of lower-income consumers in the increasingly available online high-cost credit markets.

The study was divided into three phases - conducting a literature review and webscan which was undertaken by Prosper Canada; legislative scan to understand the regulatory framework; and a national survey to capture experiences of people who have taken high interest loans, especially online.

Literature review and webscan

The review of literature shows that online high-cost credit is both similar and different than high-cost credit available via a storefront. Online high-cost credit poses some of the same risks to consumers as storefront credit does but could possibly be exposing them to additional risks as many online high-cost credit providers are not licensed or regulated. As of yet, very little research has been done specifically on users of high-cost credit, particularly by objective sources and thus needs to be studied as it evolves.

Further, a webscan was conducted in order to explore information from a consumer's perspective and their encounters when they visit a lender online. It consisted of several stages of targeted searches online for alternative consumer credit. Five online lending services were selected for a more detailed website scan set to 5 provinces (Alberta, British Columbia, Manitoba, Ontario, and Quebec).

- Easy Financial was the only website that appeared in all five provincial searches. The two Quebec-based companies (Pretargentrapide.ca and Pretexpress.ca) only appeared in the Quebec searches.
- The top amount available for lending varied greatly, ranging from the lowest amount of $750 up to a $35,000 installment loan.
- Only some of the information needed for potential customers to compare rates, products and companies was available and/or easy to find.
- Mogo.ca and icash.ca provided a dollar figure of the fee per a $100 loan.
- All of the sites had descriptions of non-payment implications.
- In relation to support during COVID-19, Mogo.ca and Easyfinancial.com mentioned that customers could contact them to discuss their loan. The Quebec-based sites provided minimal information.

Regulations on Online Loans

- It was found that 9 provinces (none of the territories) have regulations on payday loans. Quebec is unique in that while it doesn't have a specific payday loan regulation, such loans are almost banned in the province as the interest rate that can be charged for any loan cannot exceed 35%.
- Fewer provinces have specific regulations with respect to installment loans.
- Regarding online loans, 9 provinces (none of the territories) make an explicit mention of loans taken online. Again, these pertain to payday loans only.

Many provinces have made amendments to mention protections people have while taking loans on the internet. Following are some notable features of the provisions:

- By and large, the rules apply mostly to payday loans as very few provinces have regulations relating to other high interest loans such as installment loans.
- There are some provinces which state that similar to loans taken at the store, the same rules apply to the loans taken online as well.
- Still, there are others that in addition, also mention some specific rules that lenders providing credit products online must follow.
- While most provinces use the term "internet", PEI and Ontario are the only provinces that use the term "remote agreement".
- Most provinces have specifically outlined the information that lenders must provide on their website as well as how that information needs to appear so that the borrowers are able to read it and make an informed decision.

Manitoba stands out as the province's Consumer Protection Act mentions regulations that apply to internet payday loans as well as high-cost credit products taken online. Moreover, the High-Cost Credit Legislation of the province also has a lengthy section laying out the specific rules that apply to internet high-cost credit products.

Survey findings

As part of the study, ACORN conducted a survey to capture experiences of people who had taken high interest loans, especially in case of online loans. A total 376 survey responses were collected. The survey was conducted in both official languages - French and English.

- **Age:** Around 30% of respondents belong to the age group of 31-40 years, almost equal proportion in the age group of 51-65 years. Twenty percent were between 41-50 years and around 14% over 65 years. A negligible proportion of respondents were between 15-20 years.

- **Income:** More than half of the respondents have their annual individual income range below $20,000. One-third of respondents reported income between $20,000 to 40,000 and very few respondents reported income above $40,000.

- **High interest loan:** A vast majority i.e. 70% of respondents reported having taken a high interest loan.

- **Type of loan:** People were asked about the type of high interest loan they had taken. They could choose more than one option.
    - A large majority i.e. 70% of respondents reported taking payday loans.
    - The proportion of people taking installment loans is also quite high at 45%. This is very high compared to a previous survey that ACORN did in 2016 when the proportion of people who reported taking out installment loans was 11%.
    - Around 15% of people reported taking car title loans while a few reported other loans.

- **Frequency of taking the loan:**
    - With respect to the frequency of loans taken in the last 12 months, while 30% of respondents reported taking these loans only once, the second highest number was almost 13% who took these loans more than 10 times in a year. This reinforces the business model of these fringe lenders that rely on repeated usage of such loans by people who then get caught in this debt trap.

- **Companies from which the loan is taken:** The top three companies from which people took out their loans include Money Mart, Cash Money and Easy Financial followed by others such as ICash, Refresh Financial, Mogo and a couple others.

- **Reason for selecting a lender:** Most people took a loan from a specific lender after seeing the store in their neighbourhood or learning about it through an online advertisement.

- **Purpose of taking the loan:**
    - A vast majority i.e. 80% of respondents said that they took out a loan to meet everyday living expenses such as rent, groceries, hydro etc. Some people took it for a range of reasons such as to meet medical expenses, critical illness and car repair expenses.
    - Notably, 22% respondents mentioned that they took it out to improve their credit rating as they were promised it would help them do so.

- **Cost of borrowing:**
    - 45% of the respondents mentioned that they were not explained the cost of borrowing. In fact, they were rushed through to sign the loan agreement with the lender.
    - 36% said that the company sat them down patiently and explained the terms and conditions.

- **Optional products attached with the loan:**
    - While almost 25% of respondents said they were provided details about the optional product, 12% of respondents were never informed about these products until they found out at the time when a large sum was debited from their account.
    - Around 22% of people said that they are not aware of any such product attached to their loan.
    - Fifteen percent of respondents said they were asked to take these products, but they chose not to.
    - Another 18% respondents said that they were certain that no such product was attached to their loan.

- **Experience with the lender**:

Almost 60% of the respondents rated their experience with the lender very uncomfortable or uncomfortable.

- **Repaying the debt all at once**

Fifteen percent of respondents were told that they could make the pending payment only in a certain way. This means that lenders make it difficult or nearly impossible for people to repay their loans at any given point if they wish to do so. This makes the situation far worse for people who are already strapped for funds and on top of that paying exorbitant interest rates for these loans.

- **Experience with the loan**
    - Slightly more than half of the respondents rated their overall experience with a high interest loan as either highly unsatisfactory or unsatisfactory.
    - Only 5% of people said that they had a highly satisfactory experience.

- **Online Loans**

Out of the total respondents, almost 30% stated they had taken an online loan.

- **People who take online loans are younger**

Data shows that more younger people tend to take loans online. For example, 7% people above the age of 65 years had taken out an online loan compared to 12% people who took the loan from the store in the same age group.

- **People who take online loans are slightly higher income**

While 7% of people with income more than $50,000 took out a loan from the store, the proportion went up to 23% in respect of online loans for the same income bracket.

- **Most common companies from which online loans were taken**

The most common companies people took the online loan from include Easy Financial, Cash Money, I Cash and Mogo. People also listed several others including Moneytree, Spring Financial, CashCo, Pay2Loan etc.

- **Reasons for choosing online loans**
    - When asked about the reason why they chose to take the loan online over going to the store, 60% of the respondents said that it was more convenient to take the loan online.
    - Further, almost half of the respondents also said that they found the process of taking the loan online quicker as compared to going into the store.

- Close to a third of the respondents saw the online advertisement which automatically took them to the company's website.
- A few also stated that it was easier to apply online during the pandemic.

People were asked if the entire process right from negotiating the loan to signing the agreement and receiving the money was all online. For most of the respondents, the entire process happened online. Still a small proportion of people, around 12%, stated that they had to go into the store to sign their loan agreement.

- **Ease with which people can contact someone in person**

Close to one-third of the respondents said that they found it either very difficult, difficult or not so easy to contact someone in person.

- **Impact due to COVID**
  - 13% of respondents said that they had to take out high interest loans due to COVID-19.
  - Almost 16% of people stated that they missed some payments to pay off the loan while another 17% said that they have been missing making payments as they are facing tough financial situation due to COVID.
  - When asked to what extent were the lenders being considerate if they missed or had an issue making a payment, slightly more than 25% of the respondents stated that the lenders have been either inconsiderate or extremely inconsiderate during the pandemic. Only 7% of respondents found the lenders extremely considerate.

- **Access to mainstream financial institutions**

Respondents were asked why they or their family member/friend chose to use a high interest loan and not a bank or a credit union.

- Majority of the respondents i.e. 40% approached banks before they took out a high interest loan, but they or their family member or friend were denied.
- In fact, only 3% said that they prefer a high interest loan.
- Almost equal proportion i.e. 30% don't have an overdraft protection or a line of credit.
- 20% of people have a credit card but 25% said that it has maxed out.
- 20% of respondents stated that its quick and easy to take out a high interest loan.

Secondly, respondents were given a list of banking services/products and were asked if they had applied for any of those. They could choose more than one option.

- 70% of respondents mentioned that they had applied for a credit card.
- 56% had applied for a savings/chequings account.
- 52% had applied for overdraft protection.
- 46% said that they had previously applied for a line of credit.
- 34% said that had applied for a small loan.
- 26% applied for a no-fee account.
- 20% had approached a bank to remove holds on cheques.

These findings are similar to those when a survey was conducted by ACORN in 2016 focusing on predatory loans.

Lastly, people were asked who they would approach first for a small loan if they were faced with an emergency situation.

- 35% said they would reach out to a family/friend.
- 26% said they will have to go for a high interest loan.
- 13% said they would have to sell or pawn something.
- 14% said they would not go ahead with taking a loan at that point in time.
- 10% said they would work extra to make money.

It is amply clear that people do not go for high interest loans by choice but because of a lack of it. These loans are nothing but predatory. In fact, in the absence of alternative products, the trend is towards more people taking installment loans which means higher debt. Through this study, ACORN Canada concludes that banks need to play a much more proactive role in ensuring that everyone has access to fair banking. Detailed recommendations are provided in the conclusion and recommendations chapter.

INTRODUCTION

According to the Canadian Income Survey (Statistics Canada, 2017), around 3.4 million Canadians are below the poverty line. While this represents a slight reduction from 10.6% in 2016 to 9.5% in 2017, there are specific population groups such as seniors, lone-parent families and children that still experience high poverty. As per the Canadian Payroll Association's 2017 report, 47% of working Canadians reported living pay cheque to pay cheque.

Worse still, it is increasingly difficult for low-and-moderate income earners to borrow from mainstream financial institutions. As cited in Buckland and Dong (2008), 15 percent of Canadians 15 years and older are unbanked - those having no relationship at all with a mainstream financial institution. An additional 20% are underbanked, meaning their engagement with the mainstream financial sector remains limited and even these figures are an underestimate. A vast majority of these financially excluded people are poor. It is therefore no surprise that more and more low-income people are turning to fringe financial services that charge predatory rates: payday loans, installment loans, car title loans and rent-to-own products. Canadian consumers accessing these alternative financial markets pay prices well in excess of what they might pay for comparable services from mainstream financial institutions and have limited, if any, consumer financial protection.

Household debt in Canada has been growing over the past 30 years (Duncan & Matier, 2016) and is now a concern for financial institutions (Isfeld, 2018) as well as the Bank of Canada (Poloz, 2018). The proportion of households with debt has changed very little over time, but the median debt loads have almost doubled in every income quintile. Median debt levels have risen from $6,900 to $10,500 for the lowest income quintile and from $12,400 to $23,800 for the second income quintile (Statistics Canada).

High-cost credit, such as payday and installment loans, are used across all income quintiles but their use by households with low incomes is of particular concern. Studies are indicating that not only are an increasing number of people turning to high cost and unsafe alternate credit options, but the alternative consumer credit market also itself is adapting and moving online. The use of high-cost credit continues to rise and are increasingly available on the internet (FCAC, 2016; Denise, 2018).

Given this increasing trend and lack of much evidence on the experiences of consumers and larger regulatory environment in the context of the online alternative consumer credit options, ACORN Canada conducted this study to fill this gap.

What is ACORN?

ACORN Canada, the Association of Community Organizations for Reform Now, was founded in 2004. ACORN is a grassroots organization that has rapidly grown into one of the country's most effective voices for low-to-moderate income Canadians. With over 130,000 members in 22 neighbourhood chapters across the country, our central purpose is to effectively represent and champion the interests of Canada's low-to-moderate income citizens on the critical issues of social and economic justice.

ACORN members have a fairly long history of organizing to ensure that low income and other vulnerable people have access to fair banking. We have been able to secure important policy wins particularly in the arena of payday loans. However, given the shift towards online loans, there is a need to generate strong evidence to understand what is really happening on ground as well as recommendations that can strengthen the existing policy and regulatory framework that best protects the rights of consumers, who are most often low-income people.

Hence, ACORN Canada undertook a study to examine the experience of lower-income consumers in the increasingly available online high-cost credit markets. Specifically, the study looked at what high-cost credit options exist online for lower-income consumers (e.g., payday loans, installment loans, title loans, etc.), to what extent and why they are used by lower-income consumers, how these options compare to mainstream financial institutions, and what lower-income consumers' experiences have been in that arena.

Study Phases
The study was divided into the following phases:

Literature review and webscan: The first phase entailed conducting a review of literature and a webscan. Conducted by Prosper Canada, the literature review aims to provide an overview of some of the most recent studies conducted in the area of online loans in Canada. The second part consisted of a webscan to understand from the consumers' perspective, what they encounter when they look for a lender online.

Legislative Framework and Regulatory Analysis: The second phase consisted of conducting a scan of federal and provincial legislation and regulations that impact high-cost lenders in the online marketplace.

National Survey: In the third phase, a national survey was conducted to understand the experiences of people who have taken online loans. This phase also entailed focus groups discussions to better inform the survey.

LITERATURE REVIEW

Overall, there was very little in the peer-reviewed or grey literature specifically on online high-cost credit. Much of what is discussed is in relation to all forms of high-cost credit, whether it is acquired in-person or online. However, if the information pertains particularly to online loans, it has been specifically stated.

What is high-cost credit?

Although there is no agreed-upon definition of high-cost credit in the literature, most authors describe it as types of credit that are for small or medium amounts of money and have much higher interest rates than typical loan products (Denise, 2016; Jerry, 2018). High-cost credit is typically provided by alternative financial institutions other than banks. There are multiple types of high-cost loans including payday loans, installment, loans, and title loans. Installment loans are the fastest growing credit product in Canada and make up the majority of online high-cost loans (Akrong & Wu, 2019; Smarterloans.ca, 2019)

Why do people use high-cost credit?

Like other forms of consumer (or non-mortgage) debt, people use high-cost credit to cover day-to-day expenses and expense shocks (e.g., car repairs) or to pay off existing debt (Jerry, 2018; FCAC, 2016; CCPA, 2016). The reasons why people use high-cost loans are varied, but predictable, including lack of access to low-cost credit products or already having large debt loads making them ineligible for additional low-cost credit and negative past experiences with banks.

Lack of access to traditional or lower cost credit

As cited in Buckland and Dong (2008), 15 percent of Canadians 15 years and older are unbanked - those having no relationship at all with a mainstream financial institution. An additional 20% are underbanked, meaning their engagement with the mainstream financial sector remains limited and even these figures are an underestimate. A vast majority of these financially excluded people are poor. Multiple surveys of high-cost credit users have found that the lack of access to more traditional forms of credit as a reason why users access high-credit loans (FCAC, 2016). This lack of access could be for a multitude of reasons, including actual physical access due to mobility issues or dearth of locations in a user's neighborhood as well as too low of a credit score to obtain other sources of lower-cost credit (Denise, 2018).

Negative past experience with traditional credit sources

Within the literature, many qualitative researchers report individuals with low income having negative experiences with banks and credit cards. Negative experiences include poor customer service from traditional financial institution staff, inability to access a credit card because of no or poor credit history, inability to access a small dollar loan and extra fees due to insufficient funds (Hazzouri et al, 2019).

Positive past experiences with storefront high-cost credit providers

Customers of high-cost credit storefronts have cited many positive experiences with providers including good customer service as well as being fast or convenient (FCAC, 2016).

How is online high-cost lending different?

Although online lending has risen dramatically in the UK and the US, the rise has been slower in Canada (Ziegler et al, 2017). The Conference Board of Canada estimates the number of online loans grew 39% from 2010 to 2014, the most recent estimates. At the time, they represented 8% of all loans (Bond, 2016). Some argue that online lending has grown in response to increased regulation of high-cost credit by provinces. (Henderson, Akrong & Wu, 2019).

Smarter.loans (an online loan finder) estimates that first-time online high-cost credit customers have risen from 13% in 2017 to 21% in 2019 (Smarter.loans, 2019). There is no national estimation of the number of online payday loan users, but one study found that between 6% and 7% of payday loan users use online lenders (Buckland, 2018).

While many high-cost lenders with storefronts provide loans online (Robinson, 2018), many online high-cost lenders only exist online, are unlicensed and are often not based in Canada. A Consumer Council of Canada (CCC) audit of online payday lenders found that of 134 online payday lenders, 94 were unlicensed and of this group, only 30 were based in Canada, 22 were from the United States and 42 did not disclose their locations (Denise, 2015).

In a separate audit of online installment lenders, some lenders were found to calculate interest rates incorrectly, require mandatory loan protections and ask prospective borrowers to log on to their bank accounts during the application process (Denise, 2018).

Who uses online high-cost lenders?

Although the Financial Consumer Agency of Canada (FCAC) and Statistics Canada ask questions in various nationally representative surveys, there is perhaps no survey yet which separates usage of online versus storefront high-cost credit. Smarter.loans, a loan finder, surveys online high-cost credit customers annually. In their most recent survey, they find that (Smarter.loans, 2019):

- Ontario, Alberta and British Columbia have the largest number of customers. Quebec has a disproportionately low proportion of customers for the population size. Although a smaller population size, many more first-time users are from the Maritimes and Manitoba.
- Business loans via online high-cost credit providers are growing.
- First-time online high-cost credit users are at either end of the age spectrum (38 per cent were between 18 and 24 and 30 per cent were over 65).
- Women comprise 60 percent of users of home equity, payday and installment loans.

What is the customer experience of high-cost lending online?

Multiple studies have found that online high-cost lending customers are relatively satisfied with the services they receive online. A survey of more than 2400 high-cost lending customers by smarter.loans (an online loan finder) found that respondents gave an overall average rating of 3.4 out of 5. Satisfaction levels were much higher for those seeking payday, installment or auto loans, with their average rating closer to 4 out of 5 (Smarter.loans, 2019). Forty per cent of customers in the same study reported the service they received as "Great" and only 10% reported being unsatisfied (Smarter.loans, 2018).

One study in Winnipeg found that online payday loan users (a small subset of payday loan users studied) accessed the loans via their mobile phones. These users preferred online providers for convenience and speed of the service. One user reported using the online service to avoid the shame of going to a storefront location (Buckland, 2018)

Customers are much more likely to find unlicensed and unregulated high-cost lenders online. An extensive audit by CCC reports that to a large extent, the sites Canadian borrowers are likely to encounter online do not comply with payday lending regulations in Canada. Licensed lenders do show a high level of compliance with payday lending regulations that unlicensed lenders do not, but licensed lenders are much less common online (only 40 of 134 lenders). In provinces without payday regulations, consumers are likely to encounter the least compliant lenders (Denise & Consumer Council of Canada, 2015).

Even with this risk, customers' opinions on accessing credit online are changing. In the same 2018 survey by Smarter.loans found that although 57% of respondents felt that borrowing money from online lenders in Canada doesn't feel safe and scam free in 2018, in 2019 only 32 per cent felt so. As well, while 46% felt that lenders aren't transparent enough about their terms and fees in 2018, in 2019 only 31% felt that way (Smarter.loans, 2018, 2019).

Based on the literature, it is clear that online high-cost credit is both similar and different than high-cost credit available via a storefront. Online high-cost credit poses some of the same risks to consumers as storefront credit does but could possibly be exposing them to additional risks as many online high-cost credit providers are not licensed or regulated. As of yet, very little research has been done specifically on users of high-cost credit, particularly by objective sources. This is an area worthy of additional attention.`1

WEBSCAN

An important part of the study was to conduct a webscan to answer the following research questions:

- What online, alternative consumer credit options exist for lower-income consumers in Canada?
- What do consumers encounter when they use the internet to access alternative credit options?
- What information do consumers encounter when they use a search engine to identify credit options?
- What information is provided to consumers when they visit the site of an alternative lender?
- What rates and fees do alternative lenders charge?
- What repayment durations are available?
- How quickly are loan decisions provided?
- To what extent do the online lending sites comply with the legislation that regulates high interest consumer credit?
- What is the process to access an online loan? How easy or difficult is it, what are the steps involved, what information is shared and what is expected upfront?

Methodology

The environmental web scan consisted of several stages of targeted searches online for alternative consumer credit. The web scan used Google as the primary search engine due to their popularity in usage and ubiquity as search tool online.

The first stage of the webscan involved scanning the first five (5) pages of search results on Google using specific keywords. Each keyword search was conducted with Google set to five (5) provinces (Alberta, British Columbia, Manitoba, Ontario, and Quebec) in order to accurately mimic search results from that region. Keywords[1] included:

1. "quick credit" "fast credit"/ "crédit rapide" "crédit facile"
2. "quick cash" "fast cash"/ "argent facile" "argent rapide"
3. "help paying debt"/ "aide à payer mes dettes"
4. "quick loans" "fast loans" "easy loans"/ "prêt vite" "prêt rapide" "prêt facile"
5. "payday loans"/"prêts sur salaire"
6. "title loans"/"prêts de titres"
7. "installment loans"/"prêts à tempérament"
8. "loans online"/ "prêts en ligne"

In the second stage of the webscan, the results were synthesized, including ads and information encountered in the above keyword searches in each of the provinces and regions to identify which lenders appeared most often and which also offer online alternative forms of credit. Five online lending services were selected for a more detailed website scan.

An Excel table was used to extract the following data from each of the websites:

- The consumer credit products offered online
- What information, if any, lenders provide to consumers about the terms and conditions of online credit products
- Rates and fees associated with online credit products

[1] French search terms were based on French terms on the FCAC and OCA websites and were used in the search mimicking a user in Quebec

- Repayment conditions of online credit products
- What consumers can expect from online lenders with regard to loan decisions and ongoing communication with lenders

Follow-up
During the COVID-19 crisis, these sites were revisited on April 17, 2020 to look at what communications were being provided to current or potential customers.

Google search results
Across the five provinces, 241 distinct websites were found which, based on the results shown on the relevant Google page, seemed to offer online credit products or were loan search websites enabling both comparison and access to online credit products. As seen in Figure 1, Mogo was the most common website found across all provinces, due mainly to the fact that it appeared more frequently in ads (24 of the 75 times) than other sites.

Table 1. Ten most common websites found via Google search of five provinces

URL	Count	Found in all five provincial searches	Found in Quebec search
mogo.ca	75	No	No
easyfinancial.com	42	Yes	Yes
icash.ca	42	No	No
loanaway.com	31	No	No
freshstartfinance.ca	30	No	No
loanscanada.ca	26	No	No
ferratum.ca	24	No	No
pretargentrapide.ca	22	No	Yes
pretexpress.ca	20	No	Yes
creditclubloans.com	20	No	No

Easy Financial was the only website that appeared in all five provincial searches. Other than the Quebec-based companies (pretargentrapide.ca and pretexpress.ca) and creditclubloans.com, the other seven top ten sites appeared in at least three provincial searches, with most appearing in all of the English-dominant provinces. The two Quebec-based companies only appeared in the Quebec searches. Ads were found for all of the sites listed in Table 1. Using the same search terms, ads were also found for non-profit credit counseling agencies as well as FCAC.

Detailed website audit

The consumer credit products offered online:
The types of credit products offered by the five sites varied. Although it was expected to find that the sites offered multiple types of credit products, for the most part this did not seem to be the case. The two Quebec-based sites offered personal loans, icash.ca offered a payday loan, easyfinancial.ca offered secured and unsecured installment loans and mogo.ca offered payday and installment loans. The top amount available for lending varied greatly ranging from the lowest maximum amount of $750 from pretexpress.ca up to a $35,000 installment loan from mogo.ca.

Information provided to consumers
Only some of the information needed for potential customers to compare rates, products and companies was available and/or easy to find.

Process to obtain loan: Unfortunately, the scan could not proceed far enough to understand fully the process to access a loan. Only the Quebec-based sites made it clear what information would need to be provided throughout the process, who was eligible to receive a loan and in which cases a request might be refused.

Loan Terms: Loan terms varied greatly across companies and by product. For example, Mogo's term ranged between two weeks and five years, depending on the product, the amount the customer was borrowing, and the Annual Percentage Rate or APR. pretexpress.ca, which had a much smaller maximum amount than the other sites, offered terms between three and five months. icash.ca had maximum terms between seven and 62 days. Pretexpress.ca provided this information on their landing page.

Rate and fees associated with online credit products: The loan rate, expressed as an APR for all sites, was found on the landing page of four of the five sites. (mogo.ca posted their APR rates in their blog. It's possible that if we had proceeded with setting up an account that there would be an upfront description of the APR in the member section).

The fees associated with the products were not as easy to find. The two Quebec-based sites note that there are 'membership fees' but do not make available what the fee is. For other sites, the fees were found either on their blog (mogo.ca), privacy statements (easyfinancial.com) or FAQ pages (pretexpress.ca and pretargent.ca). Only mogo.ca and icash.ca provided a dollar figure of the fee per a $100 loan.

Repayment conditions of online credit products: The exact repayment conditions were not available on the websites (at least as far as we were able to go with our search, meaning without creating an account or starting a loan application).

All of the sites had descriptions of non-payment implications. Fees for missed payments or those for non-sufficient funds (NSF) ranged from $20 to $50 for a payment due. Icash.ca also lists that this will result in a negative report to credit agencies and with easyfinancial.com an immediate end to the loan with the principal and interest due immediately "without notice".

Time taken by online lenders to take decisions on granting loans: Three of the five sites state how much time it would take to receive a decision – ranging from three minutes to 24 hours. Only mogo.ca provided information regarding whether you could cancel your loan, and how many hours/days you had to do that.

Table 2. Count of websites included in the more detailed website audit and whether the site appeared in Google search by province

URL	Count	Alberta	British Columbia	Manitoba	Ontario	Quebec
mogo.ca	75	Yes	Yes	Yes	Yes	No
easyfinancial.com	42	Yes	Yes	Yes	Yes	Yes
icash.ca	42	Yes	Yes	Yes	Yes	No
pretargentrapide.ca	22	No	No	No	No	Yes
Pretexpress.ca	20	No	No	No	No	Yes

COVID-19 Communications: The big six banks have shared multiple communications regarding the relief measures they are putting in place for their customers during COVID-19, including reduction in credit card interest and deferral of mortgage and credit card payments. It was therefore important to understand what, if any, support these five companies offered to their customers. On April 17, 2020 all five sites were examined to see what they were communicating to current or potential customers.

As a whole, the industry of high-cost credit has been silent during this time, and individual corporations have made varying degrees of effort to support their customers during the current crisis:

- The Quebec-based sites provided minimal information regarding COVID-19 only noting that their response times may be slower.
- Mogo.ca and Easyfinancial.com offered options for customers to contact them to discuss their loan.
- Mogo.ca, icash.ca and easyfinancial.com all provided information on the federal and provincial governments' benefits.
- Mogo.ca, icash.ca and Easyfinancial.com offered solutions that individuals could take including creating an emergency budget, filing your taxes, looking for other income sources and deferring, renegotiating or making only minimum debt payments towards mortgage or credit card payments.
- Only mogo.ca offered an additional service to customers – free identity fraud protection for 6 months.

LEGISLATIVE SCAN

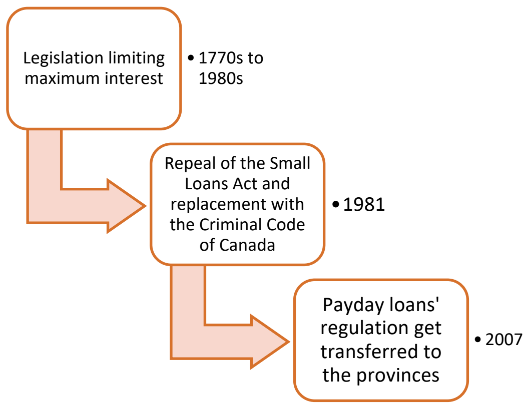
The Government of Canada has substantial authority over lending activities in Canada. This is primarily because banking and interest in Canada are under federal jurisdiction. The Parliament of Canada has legislative authority over interest, banking, the incorporation of banks, the issuance of paper money and savings banks under section 91 of the Constitution of Canada (Constitution Acts, 1867 to 1982). There is also a general residuary power "to make Laws for the Peace, Order and good Government of Canada, in relation to all Matters not coming within the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces".

Legislation and institutions that govern financial products and services in Canada include the following:

- The primary piece of legislation for banks is the Bank Act (S.C. 1991, c. 46) and its regulations. Banks in Canada are supervised by multiple regulators.
- The Competition Act (R=S.C., 1985, c. C-34) contains both criminal and civil provisions aimed at preventing anti-competitive practices in the marketplace such as misleading advertising. The Act is administered by the Competition Bureau.
- The Personal Information Protection and Electronic Documents Act (S.C. 2000, c. 5) mandates rules regarding the collection, use and disclosure of personal information. The Act applies to private-sector organizations in Canada that collect, use or disclose personal information in the course of a commercial activity. The Act would apply to organizations that engage in online lending.
- The Office of the Superintendent of Financial Institutions (OSFI) is responsible for prudential regulation and supervision of banks. The OSFI is an independent federal government agency that regulates and supervises more than 400 federally regulated financial institutions and 1,200 pension plans to determine whether they are in sound financial condition and meeting their requirements.
- The FCAC ensures federally regulated financial entities comply with consumer protection measures, promotes financial education and raises consumers' awareness of their rights and responsibilities. The FCAC derives its mandate from the Financial Consumer Agency of Canada Act.
- The Department of Finance Canada helps the government to develop and implement financial sector policy and legislation.
- The Financial Institutions Supervisory Committee, whose members are OSFI, the Department of Finance, the Bank of Canada, the Canada Deposit Insurance Corporation and the FCAC, meets at least quarterly to share information on matters relating to the supervision of federally regulated financial institutions.
- The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. It seeks to protect Canada's financial system by detecting and deterring money laundering and terrorist financing and crime under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (S.C. 2000, c. 17). The Act regulates entities, including provincially regulated loan companies, that are engaged in foreign exchange dealing and the remitting or transmitting of funds; securities dealers; portfolio managers; and investment advisors.

Regulation of interest rates and alternative credit providers

A report by Cardus (2016) illustrates that the interest rate regulation in Canada dates back to 1777 when a legislation was passed establishing a maximum interest rate of 6% per annum for all contracts. The 6% limit was more or less maintained by subsequent legislation until when the Money-Lenders Act was passed which established a 12% ceiling on all loans of $500 or less. However, this was not appropriately enforced.



The Small Loans Act (SLA) was passed in 1939. The Act required licensing of lenders who charged 1% per month on loans less than $500. Further, in 1956, the Parliament amended the SLA, increasing the maximum loan size to $1,500 and substituting the 2% rate ceiling for a graded ceiling. However, in 1981, the Parliament repealed the SLA and replaced it with the Criminal Code making it a criminal offence to charge interest in excess of 60% per annum.

Section 347(1)(a) of the Criminal Code of Canada (R.S.C., 1985, c. C-46) makes it an offence to enter into an agreement or arrangement to receive interest at a criminal rate. It sets the maximum allowable annualized interest that may be charged at 60% – interest charged above that level is considered usury and is a criminal offence. Section 347(1)(b) makes it an offence to receive a payment or partial payment of interest at a criminal rate.

However, payday loans are exempt from Canada's usury laws. In 2007, Section 347.1 was added to the Criminal Code that exempted payday loans from Section 347. Instead, the authority to regulate payday loans was assigned to the provinces. As Borden et al. (n.d.) posit, when payday lenders entered the Canadian scene in the early 1990s, charging then upwards of 1200% interest, the federal government didn't prosecute but exempted the payday lenders from the 60% cap, handing it off to the provinces to manage the situation.

Subsequently, in 2006, Bill C-26 amended section 347 of the Criminal Code of Canada to exempt payday loans from criminal sanctions in order to facilitate provincial regulation of the industry. Thus, the exemption applies to payday loan companies licensed by any province that has legislative measures in place designed to protect consumers and limit the overall cost of the loans (Kitching, Starky & Bergevin, 2006).

Hence, as Spotton and Burnett (2015) highlight, while banks are heavily regulated federally, and even credit unions with much smaller portfolios and a local mandate may be federally or provincially regulated, alternative credit providers, if they are regulated at all, are regulated provincially, or, when the municipal government aims at addressing the inadequacies of the provincial legislation, regulated locally through the use of bylaws. This legislative incoherence creates a range of issues for consumers availing high interest loans in Canada, especially those who are most vulnerable.

Legislation on high interest loans in provinces and territories

The provinces have jurisdiction over property and civil rights in the province under section 92 of the Constitution of Canada. This gives the provinces jurisdiction over provincially regulated loan companies.

Table 3: Mapping of Legislation on High Interest Loans in Provinces and Territories

Province	Regulations on payday loans	Regulations on other high-interest loans	Mention of online loans
Alberta	Consumer Protection Act 2000 Payday Loans Regulation 2009	Consumer Protection Act 2000	✓
British Columbia	Business Practices and Consumer Protection Act 2004 Payday Loans Regulation 2009	Bill 7 – Business Practices and Consumer Protection Amendment Act, 2019	✓
Manitoba	Consumer Protection Act 2018	High-Cost Credit Products Legislation 2016	✓
New Brunswick	New Brunswick Cost of Credit Disclosure and Payday Loans Act 2008		✓
Newfoundland & Labrador	Consumer Protection and Business Practices Act 2009		✓
Nova Scotia	Consumer Protection Act 2009 (Payday lenders regulations)		✓
Ontario	Payday Loans Act 2008		✓
Prince Edward Island	Payday Loans Act 2015	Bill 134 - An Act mainly to modernize rules relating to consumer credit and to regulate debt settlement service contracts, high-cost credit contracts and loyalty programs	✓
Quebec	Consumer Protection Act	*Bill 134, titled* An Act mainly to modernize rules relating to consumer credit and to regulate debt settlement service contracts, high-cost credit contracts and loyalty programs	
Saskatchewan	The Payday Loan Regulations 2012		✓
Territories			
Yukon	No regulations		
Northwest Territories	No regulations		
Nunavut	No regulations		

As the table shows, most provinces i.e. 9 out of 13 provinces (none of the territories) have legislation that regulate payday loans. However, there are fewer provinces that have specific regulations with respect to other forms of high-cost lending such as installment loans that usually fall outside of the ambit of a payday loan regulation. Installment loans are high interest loans that are regulated under the Criminal Code of Canada. This means that companies can legally charge a 60% interest rate on these loans.

Of all the provinces, only Alberta and Manitoba have high-cost credit regimes in force. The province of BC introduced Bill 7 – *Business Practices and Consumer Protection Amendment Act, 2019* (Bill) as part of British Columbia's Consumer Financial Protection Action Plan to provide for a new high-cost credit regime and add new prohibitions that will apply to payday lenders, among other things. The Business Practices and Consumer Protection Amendment Act (BPCPAA) received Royal Assent on May 16, 2019. The Act introduced the new part 6.3 [High-Cost Credit

Products] to the Business Practices and Consumer Protection Act (BPCPA) which establishes a new regulatory framework to license and regulate high-cost credit providers and products (HCCP).

As part of these amendments, there will also be a new Consumer Financial Education Fund, which will be funded by licensed high-cost lenders and payday lenders. Some payday loan protections that took effect on September 1, 2018, include extending the payday loan agreement cancellation period and adding prohibitions on the use of a borrower's personal information by the lender. In addition, fees to cash provincial social assistance and disability cheques were capped at $2 plus 1% of the value of the cheque up to a maximum of $10. In 2019, this fee cap was expanded to include on demand (Imprest) cheques issued by the Ministry of Children and Family Development.

The work to develop the regulations to support the new high-cost credit licensing scheme continues to be underway at this time. The HCCP regulations will be designed to capture HCCPs such as installment loans, lines of credit and other credit products that exceed a prescribed interest rate and meet other prescribed criteria. Other key elements of the regulatory framework include but are not limited to borrower's rights and remedies, disclosure requirements, and prohibitions on certain fees and practices.

Albertas' Consumer Protection Act 2000 defines high interest loans as a credit agreement that provides for a rate of 32% or more as calculated in accordance with the regulations and includes a lease but does not include a payday loan. Similarly, Manitoba's high-cost credit legislation defines a high-cost credit agreement as the one that includes an annual interest rate that exceeds 32%. Not only does Manitoba have a specific section on high-cost credit products, the province also has a specific regulations on such products.

Quebec is unique in that while it doesn't have a specific payday loan regulation, such loans are almost banned in the province as the interest rate that can be charged for any loan cannot exceed 35%. This makes it unprofitable for businesses to offer such loans (Tang, 2015). Section 8 of Quebec's *Consumer Protection Act* provides that contracts are not enforceable "where the obligation of the consumer is excessive, harsh or unconscionable." Court decisions have established 35% interest as that threshold. The newly passed amendments to the Consumer Protection Act. i.e. Bill 134 which requires credit grantors to include a mandatory information box either at the beginning of each contract or in a separate document provided to the consumers. Separate forms are prescribed for different types of credit, such as fixed or open credit, credit accessed by way of a credit card and installment sales. Further, consumer credit grantors and lessors have the obligation to assess the consumer's capacity to repay the loan or make their lease payments before entering into the credit agreement or lease or granting a credit limit increase. Further, Quebec's high-cost credit regime hinges on a floating rate, defined as a rate that is higher than the Bank of Canada's "Bank rate" (*taux officiel d'escompte*), plus 22 percentage points. The Bank rate is currently 1.5 per cent. At a current rate of 23.5 per cent per year, this rate is significantly lower than Manitoba's rate and the proposed Alberta rate and will capture a larger subset of lenders. However, banks, financial service cooperatives, trust and loan companies, mortgage lenders, insurance premium lenders and insurance companies are exempt from the licensing requirements of the proposed regime.

In relation to online loans in particular, the table shows that 9 out of 13 provinces make an explicit mention of loans taken online. But it is important to note that most of these regulations pertain to payday loans only. Although, logically, even if there is no mention of loans taken online, regulations (even if only limited to payday loans) should apply for both - loans taken at the store or online. However, given some issues that are specific to online loans, it becomes important to have consumer protections in the case of online loans.

Table 4: Consumer protections in relation to online loans

<table>
<tr><th>Province</th><th>Specific regulations on online loans</th></tr>
<tr><td>Alberta</td><td>Consumer Protection Act 2000

Section 124.11: The provisions of this Regulation apply (a) to every payday lender who offers, arranges or provides a payday loan to a borrower in Alberta, whether the payday lender operates from business premises or on the Internet.

Section 124.8 (4) A payday lender who engages in the payday loan business by means of the Internet shall display the wording and information required under subsection (2) on a page of the payday lender's website that precedes the payday loan application.
As per subsection (2), information to be displayed on the website:
(a) The words "Maximum total cost of borrowing permitted in Alberta for a payday loan: $15 per $100 lent";
(b) the words "We charge ________", indicating the payday lender's total charges for a payday loan;
(c) the words "Payday loans are a form of high-cost credit";
(d) the words "This information meets the requirements of the Consumer Protection Act";
(e) the payday lender's licence number;
(f) any other wording or information prescribed by the regulations.
A payday lender who engages in the payday loan business by means of the Internet shall display the wording and information required under subsection (2) on a page of the payday lender's website that precedes the payday loan application.

Payday Loans Regulation 2009
The provisions of this Regulation apply
(a) to every payday lender who offers, arranges or provides a payday loan to a borrower in Alberta, whether the payday lender operates from business premises or on the Internet, and

(3) If the payday lender engages in the payday loan business by means of the Internet, the payday lender must display a copy of the licence, prominently at or near the top of the introductory page of the website for Alberta borrower.</td></tr>
<tr><td>British Columbia</td><td>British Columbia Payday Loans Regulation 2009
Payday lenders doing business on the internet must display a notice that is
a. of the colour and has the content required under subsections (2) and (4), and
b. visible to borrowers
(i) at or near the top of the introductory page of the website for British Columbia borrowers, and
(ii) in a location on the website that precedes the application for the loan.

If the payday lender does business by means of the internet, the payday lender must display the licence number and other identification, in a form approved by the director, prominently at, or near, the top of the introductory page of the website for British Columbia borrowers.</td></tr>
<tr><td>Manitoba</td><td>Consumer Protection Act 2018
PART XVIII
"Internet payday loan" means a payday loan under an agreement between a borrower and a lender that is formed by Internet communications or by a combination of Internet and fax communications
163(3) Without limiting clause (1)(m), a regulation made under that clause may do one or more of the following:
(a) designate another jurisdiction as a reciprocating jurisdiction if, in the opinion of the Lieutenant Governor in Council, it has similar law for the regulation of payday loans;
(b) authorize the minister, on behalf of the government, to enter into an agreement with the government of a reciprocating jurisdiction respecting the application, administration or enforcement of this Part or the law of that jurisdiction in respect of Internet payday loans;
(c) in accordance with any agreement made under clause (b), specify which law applies or does not apply when both this Part and the law of the reciprocating jurisdiction purport to apply to an Internet payday loan;
(d) extend, modify or limit the application of any provision of this Part in relation to an Internet payday loan.

High-Cost Credit Products Legislation 2016
Internet high-cost credit agreement means a high-cost credit agreement that is formed between a borrower and a high-cost credit grantor by Internet communications or by a combination of Internet and fax communications.

The legislation has a lengthy section on Internet High-Cost Credit Products .</td></tr>
<tr><td>New Brunswick</td><td>"Internet payday loan" means a payday loan under an agreement between a borrower and a credit grantor that is formed by Internet communications or by a combination of Internet and fax communications.</td></tr>
</table>

	37.12(2) No person shall offer, arrange or provide an Internet payday loan from a website to a borrower in the Province except under the authority of a licence issued to that person or the person's employer that specifies that the person or employer may offer, arrange or provide Internet payday loans from that website. 2008, c.3, s.1; 2014, c.31, s.1 37.13(1) A person may apply to the Director, on a form provided by the Director, for (a) a licence authorizing the person to offer, arrange or provide payday loans at a location specified on the licence or Internet payday loans from a website specified on the licence, or (b) a renewal of a licence 37.13(1.1) An application for a licence must specify (a) the location from which the applicant wishes to offer, arrange or provide payday loans, or (b) the website from which the applicant wishes to offer, arrange or provide Internet payday loans.
Newfoundland & Labrador	**83.2** (1) This Part applies (a) to every payday lender who offers, arranges or provides a payday loan to a borrower in the province, whether the payday lender operates from business premises, by telephone or on the internet
Nova Scotia	Payday lender must display rates and fees for Internet payday loans. 8A (1) A payday lender that offers, arranges or provides Internet payday loans must display on the payday lender's website a notice that contains the information required by subsections 8(3) and (4) displayed in a clear and understandable manner in a colour clearly contrasting with the background. (2) The notice referred to in subsection (1) must be made visible to borrowers. (a) at or near the top of the introductory page of the website for borrowers in Nova Scotia; and (b)in a location on the website that comes before the payday loan application. Section 8A added: O.I.C. 2012-115, N.S. Reg. 87/2012. Payday lender of Internet payday loans must display permit information. 8C A payday lender that offers, arranges or provides Internet payday loans must prominently display all of the following permit information at or near the top of the introductory page of the payday lender's website for borrowers in Nova Scotia: (a) the business name or style as specified in the permit; (b) the permit number; (c) the permit expiry date. Section 8C added: O.I.C. 2012-115, N.S. Reg. 87/2012.
Ontario	Consumer Protection Act 2002 Remote payday loan agreement means a payday loan agreement entered into when, (a) the borrower is not present with the lender, if no loan broker assisted the borrower in obtaining the payday loan, or (b) the borrower is not present with the loan broker or the lender, if a loan broker assisted the borrower in obtaining the payday loan. Before a borrower enters into a remote payday loan agreement, the lender shall ensure that the agreement is available and accessible in a manner that ensures that the borrower has accessed it and is able to retain and print it. In a remote payday loan agreement, the lender shall ensure that the borrower has consented to entering into the agreement in a manner that allows the lender to prove that the borrower has so consented. If the licensee is a lender that offers to make a remote payday loan agreement with a borrower, the licensee shall communicate to the borrower the information that is required to be on the certificate of licence for the main office of the licensee as soon as the borrower makes contact with the licensee. If the licensee is a lender that offers to make a remote payday loan agreement with a borrower, the licensee shall, i. communicate to the borrower, as soon as the borrower makes contact with the licensee, that the educational materials are available, and ii. at the request of the borrower, immediately provide the educational materials to the borrower.
Prince Edward Island	"remote payday loan agreement" means a payday loan agreement entered into when (i) the borrower is not present with the lender, if no loan broker assisted the borrower in obtaining the payday loan, or (ii) the borrower is not present with the loan broker or the lender, if a loan broker assisted the borrower in obtaining the payday loan.

	If the licensee is a lender that offers to make a remote payday loan agreement with a borrower or is a loan broker that offers to assist a borrower in obtaining a remote payday loan agreement, the licensee shall communicate to the borrower the information that is required to be on the certificate of licence for the main office of the licensee as soon as the borrower makes contact with the licensee. If the licensee is a lender that offers to make a remote payday loan agreement with a borrower, the licensee shall (i) communicate to the borrower, as soon as the borrower makes contact with the licensee, that the educational materials described in clause (a) are available, and (ii) at the request of the borrower, immediately provide the educational materials to the borrower. Communication for remote lending (4) If a licensee is a lender that offers to make a remote payday loan agreement with a borrower or is a loan broker that offers to assist a borrower in obtaining a remote payday loan agreement, the licensee shall communicate to the borrower the information required by subsection (3) for the poster before discussing with the borrower anything about payday loans. The lender shall ensure that the borrower has consented to entering into the agreement in a manner that allows the lender to prove that the borrower has so consented.
Saskatchewan	13 (3) A payday lender who carries on business as a payday lender: (a) over the Internet must display the information set out in this section on a page of the payday lender's website that precedes the payday loan application; Every payday lender must post the following signs: (a) a sign that is visible to a borrower immediately on entering the place of business; (b) a sign that is visible to a borrower at each place, within the place of business, where a payday loan agreement is negotiated. (2) Each sign mentioned in subsection (1) must: (a) be at least 61 centimetres wide and 76 centimetres high; (b) have a brightly coloured border that is at least five centimetres wide; and (c) contain the following information: (i) a heading setting out: (A) the total cost of borrowing expressed as a dollar amount for $100 advanced under the payday loan agreement, in 144-point font; and (B) the words "per $100 borrowed" in 72-point font; (ii) a subheading in 54-point font that says "Example: $300 loan for 14 days"; (iii) the following text in 54-point font: (A) the words "Principal Amount $300"; (B) the words "Total Cost of Borrowing" followed by the total cost of borrowing per each $300 advanced under the payday loan agreement; (C) the words, "Total to Pay" followed by the total of $300 and the total cost of borrowing per each $300 advanced under the payday loan agreement; (iv) the words "This information conforms to the requirements of The Payday Loans Act " in 36-point font.

As noted in the table above, many provinces have adapted their legislation and made amendments so that people have protections while they are taking loans on the internet. Following are some notable features of the provisions:

- ✓ By and large, the rules apply mostly to payday loans as very few provinces have regulations relating to other high interest loans such as installment loans.
- ✓ There are some provinces which state that as with loans taken at the store, the same rules apply to the loans taken online as well.
- ✓ Still, there are others that in addition, also mention some specific rules that lenders providing credit products online must follow.
- ✓ While most provinces use the term "internet", PEI and Ontario are the only provinces that use the term "remote agreement".
- ✓ Most provinces have specifically outlined the information that lenders must provide on their website as well as how that information needs to appear so that the borrowers are able to read it and make an informed decision.

Further, of all the provincial legislation, what stands out is Manitoba. The province's Consumer Protection Act mentions regulations that apply to internet payday loans as well as high-cost credit products taken online. Moreover, the High-Cost Credit Legislation of the province also has a lengthy section laying out the specific rules that apply to internet high-cost credit products.

Box 1: Manitoba High-Cost Credit Legislation - Internet High-Cost Credit Products

Name and licence to be prominently displayed

- If a high-cost credit grantor offers, arranges or provides an Internet high-cost credit product, the credit grantor must prominently display its name as shown on its licence, its licence number and the licence expiry date at or near the top of the introductory page of the website or mobile application for borrowers in Manitoba.

Design requirements

- A high-cost credit grantor who offers, arranges or provides Internet high-cost credit products to borrowers in Manitoba through a website or mobile application must

(a) post the information referred to in subsection **251(3)** of the Act in a visible location at or near the top of the introductory page or screen;

(b) use a white background and a purple border on the user interface; and

c) display the required information in a contrasting font colour.

Section 251(3) of the Consumer Protection Act states the following:

For each type of high-cost credit product offered, arranged or provided at that location, the signs must

(a) clearly state that the product is a high-cost credit product;

(b) separately list each component of the cost of credit for that high-cost credit product payable to the high-cost credit grantor or a third party, including

(i) the interest rate, and

(ii) each fee, charge, penalty or other amount, including any brokerage fee, any credit assessment or approval fee, any administrative or processing fee, any advance or draw fee, any other fee or charge for accessing the funds, including any account set-up fee, transfer fee and cash card fee, any charge or penalty for exceeding the credit limit, any default charge or penalty, and any prescribed fee, charge, penalty or other amount, and for each listed component clearly state the amount and how often it is or may be charged, required or accepted by the credit grantor or a third party;

(c) clearly state that the borrower has the right to cancel a high-cost credit agreement within 48 hours;

(d) include any other prescribed statements and provide any other information required by the regulations; and

(e) meet any other requirements set out in the regulations.

Before a borrower enters into an Internet high-cost credit agreement, the high-cost credit grantor must ensure that its website or mobile application is designed in a manner

(a) that indicates in a clear, understandable and prominent manner that the prospective borrower's action or actions will result in the entering into of an agreement with the credit grantor; and

(b) that makes the agreement accessible to the prospective borrower so that he or she is able to acknowledge and accept the terms and conditions of the agreement.

Borrower must be able to print or store agreement

A high-cost credit grantor must ensure that the borrower has consented to the entering into of the Internet high-cost credit agreement and must make a record evidencing that consent

(a) before providing any advance to the borrower; or
(b) if the high-cost credit product is a line of credit, at the time the agreement is entered into

Role of Federal/Provincial Regulators

It is important to mention that further to the regulations that are in place, the federal and provincial regulators also play an important role in putting out information with the objective of creating awareness among consumers.

The FCAC which is the federal regulator mentions on its website that while each province and territory has different rules and restrictions around payday lending, consumers need to be careful with online payday lenders as many aren't licensed and don't follow provincial rules.

The provincial regulator, Consumer Protection of BC, puts out tips for individuals who take payday loans online such as cautioning people to take loans only from a licensed business and that the license must be with the BC government; reading the fine print to understand the terms and conditions of the loan; and to watch for red flags like whether the business can be located, if the contact information is real, customer reviews etc.

Similarly, there is a guide to payday lenders from the Government of Ontario. The guide mentions that if an individual takes a remote payday loan (like an online loan or a loan arranged over the phone), they must immediately tell any potential borrowers about the cost of borrowing, information about licence, educational material and that the borrower must be able to retain and print the agreement and consents before entering into the agreement.

Conclusion

What emerges clearly from this legislative scan and regulatory analysis is that there is a legislative incoherence with respect to high interest loans which creates a range of issues for consumers availing such loans in Canada. With respect to the payday loan industry, several provinces have enacted legislation to ensure some bit of protection to people accessing payday loans. In addition, several city governments also continue to pass regulations offering stronger protections to people who have no choice but to rely on high interest loans. However, the situation with respect to installment loans continues to be grim as the lenders can legally charge 60% interest. The fact that these loans are not small dollar loans and constitute a growing market in Canada, calls for much stronger regulations. Lastly, with respect to online loans in particular, while many provinces make reference to loans taken on the internet or remote loans, these regulations primarily pertain to payday loans. Provinces such as Manitoba stand out as it makes explicit reference to high interest loans, not restricting to payday loans, taken online.

SURVEY RESULTS

As part of this study, an online survey was conducted to understand peoples' experiences with high interest loans, online loans in particular. In order to share the survey and reach out to a wider base, it was sent to all ACORN members whose email addresses exist in the database. Hence, the survey was sent out to 17,365 ACORN members. In addition, for wider dissemination, the survey was also circulated by ACORN's allies.

The survey was sent out in both official languages – French and English. The software Survey Monkey was used set up to share the survey. In total, 376 responses were received.

Table 5: Citywise breakup of survey responses

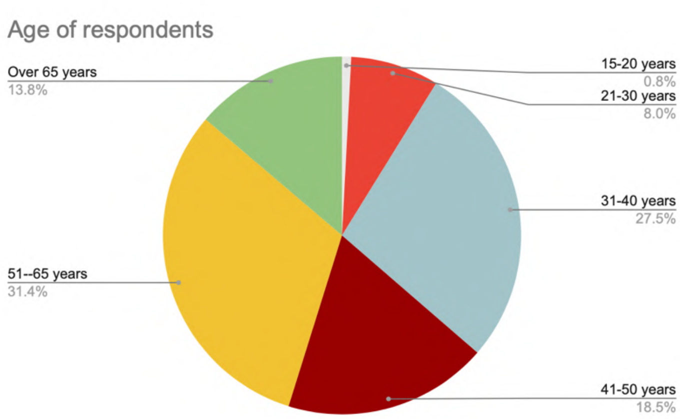
Toronto	93
Ottawa	58
Hamilton	25
Montreal	5
Halifax	35
Surrey	7
Vancouver	10
Mississauga	14
Calgary	12
Edmonton	3
New Westminster	7
Winnipeg	2
Others	105

The survey captures responses from 6 provinces including Alberta, Manitoba, Nova Scotia, Quebec, Ontario and BC. The survey was administered in both official languages - French and English. Citywise break up of responses received includes the following:

In addition to the survey, in-depth conversations were held with ACORN members who were willing to share their experiences about the high-cost credit products. Their testimonials have been included in this report. Consent has been taken from them to narrate their experiences.

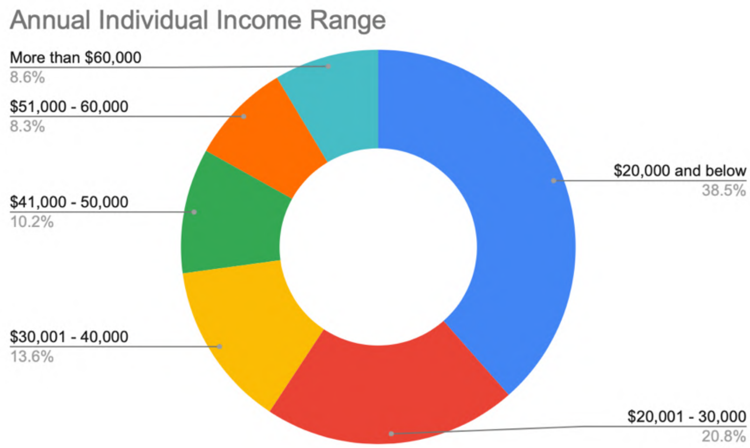
Section 1: Profile of respondents

The first section covers basic information, including income profile of the respondents.



Age of the respondent

Almost equal proportion of respondents i.e. 30% belong to the age group of 31-40 years and 51-65 years. Close to 20% respondents are in the age group of 41-50 years and 13% are above the age of 65 years. A few respondents are 21-30 years old while a negligible proportion are between 15-20 years. Hence, youth constitute a very small percentage of the total respondents.

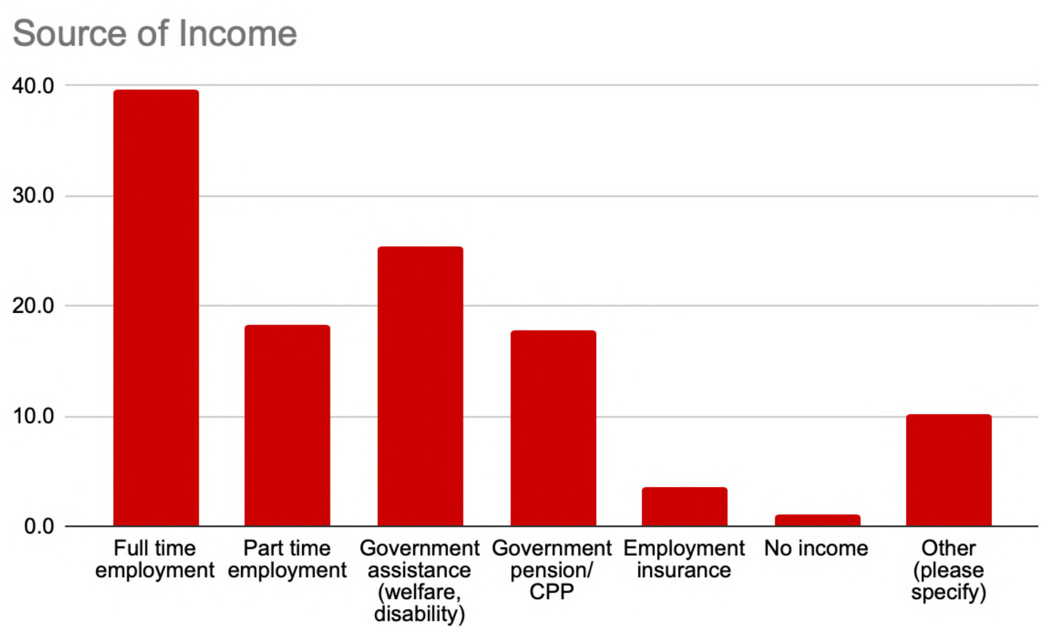


Annual individual income range

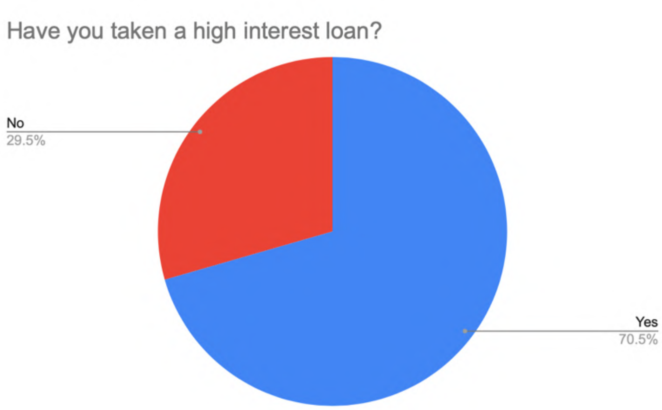
Not surprisingly, the majority of respondents are low-to-moderate income. More than half of the respondents have their annual individual income range below $20,000. Another quarter have income between $30,000 - $50,000 and very few respondents have income above $50,000.

Source of income

Forty percent of the respondents reported full-time employment as their source of income followed by a quarter of those who are on some form of social assistance. Almost an equal proportion i.e. 20% reported having part time jobs or receiving government pension. Very few respondents reported receiving employment insurance at the time of the survey.



Section 2: High interest loans



Experience with high interest loan

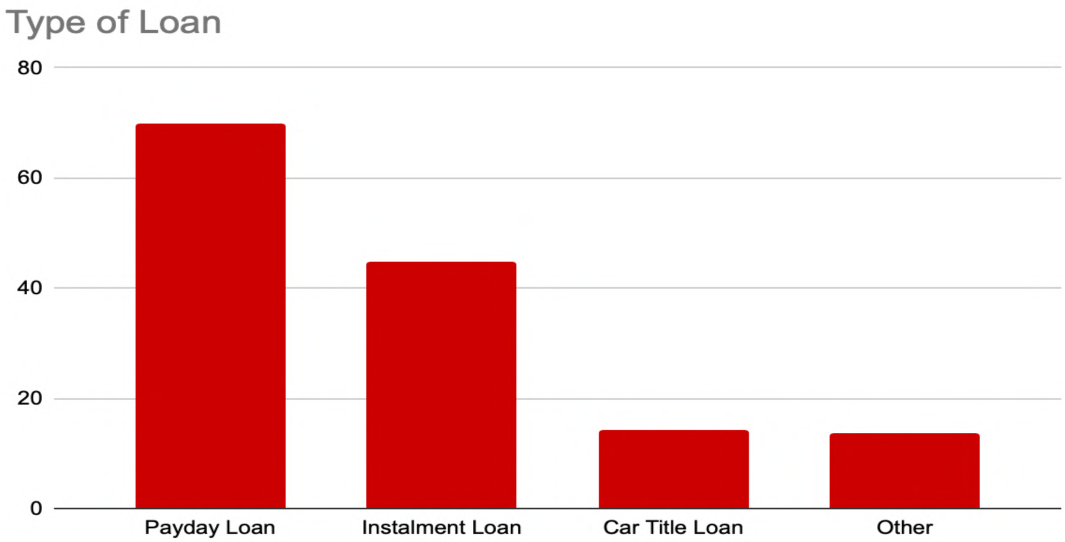
Respondents were asked if they had ever taken a high interest loan. For the purpose of the survey, high interest loans were defined as loans such as payday loans, installment loans, title loans etc. that are taken from companies/institutions that are not regular banks or credit unions.

A vast majority i.e. 70% of respondents reported having taken a high interest loan.

Type of loan

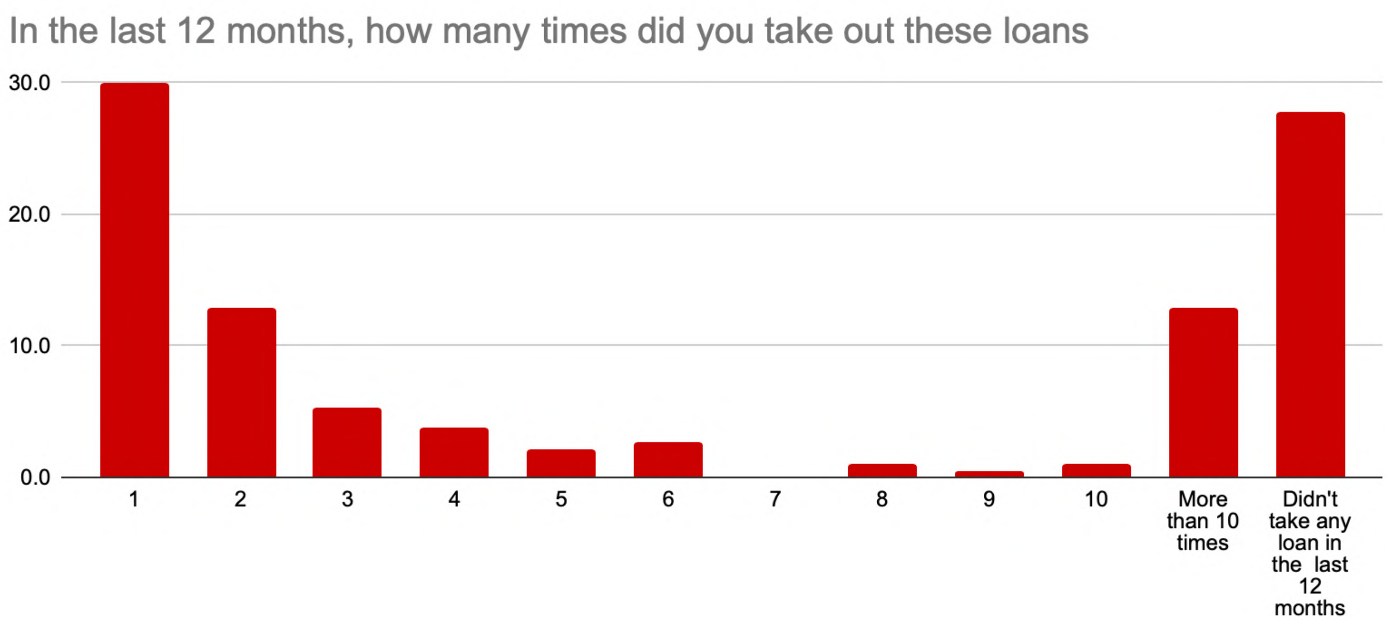
People were asked about the type of high interest loan they had taken. They could choose more than one option.

- A large majority i.e. 70% of respondents reported taking payday loans.
- Further, it's interesting to note that the proportion of people taking installment loans is also quite high at 45%. This is very high compared to a previous survey that ACORN conducted in 2016 when the people who reported taking out installment loans was 11%.
- Around 15% of people reported taking car title loans while a few reported other kinds of loans such as title loans.

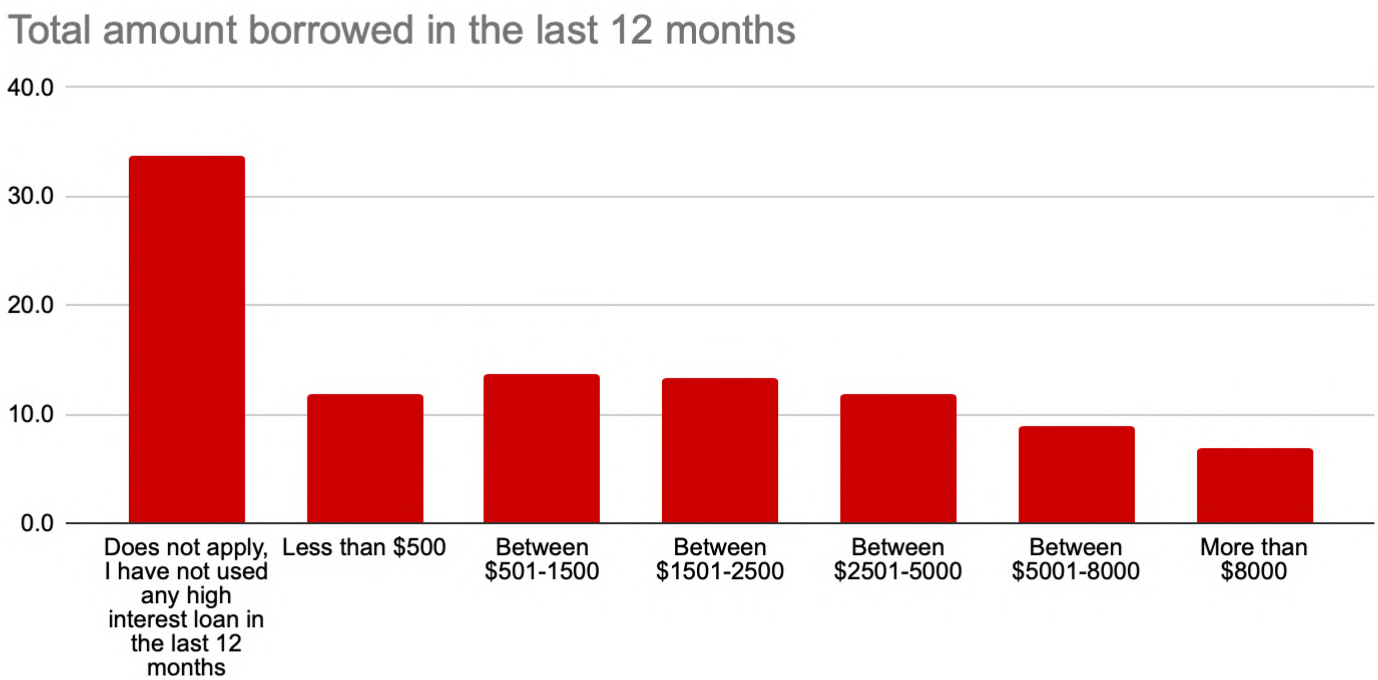


Usage of loan in the last 12 months

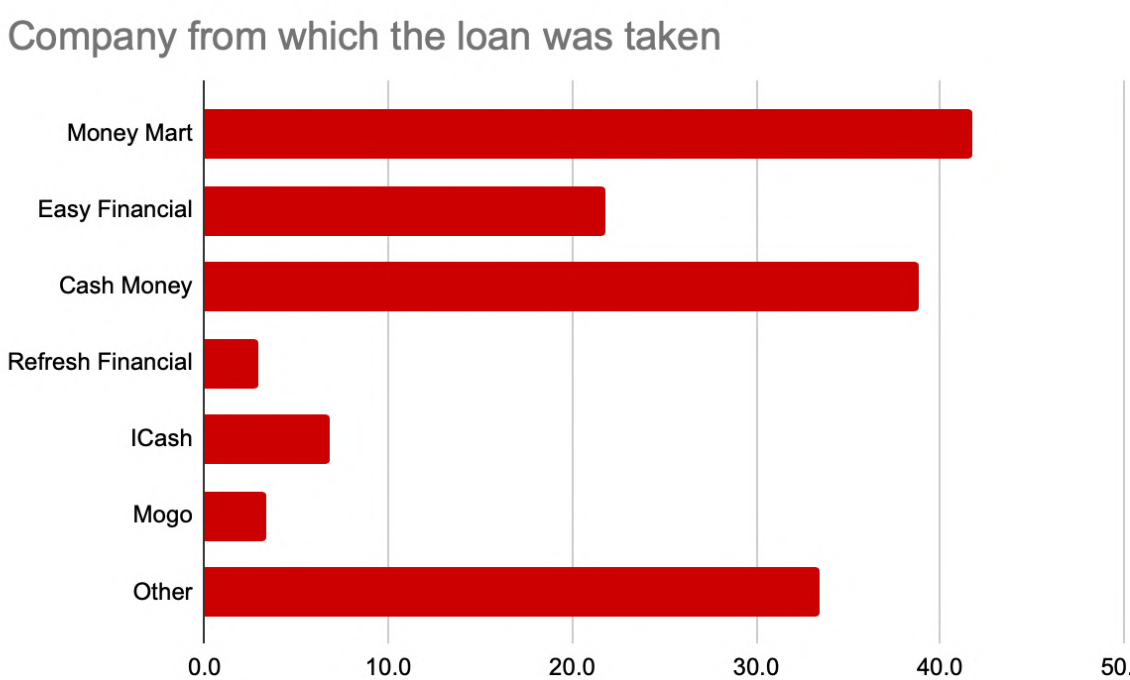
With respect to the frequency of loans taken in the last 12 months, 30% of respondents reported taking these loans only once. The second highest response was almost 13% of the respondents who took these loans more than 10 times in a year. This reinforces the business model of these fringe lenders that relies on repeated usage of such loans by vulnerable people who get caught in this debt trap.



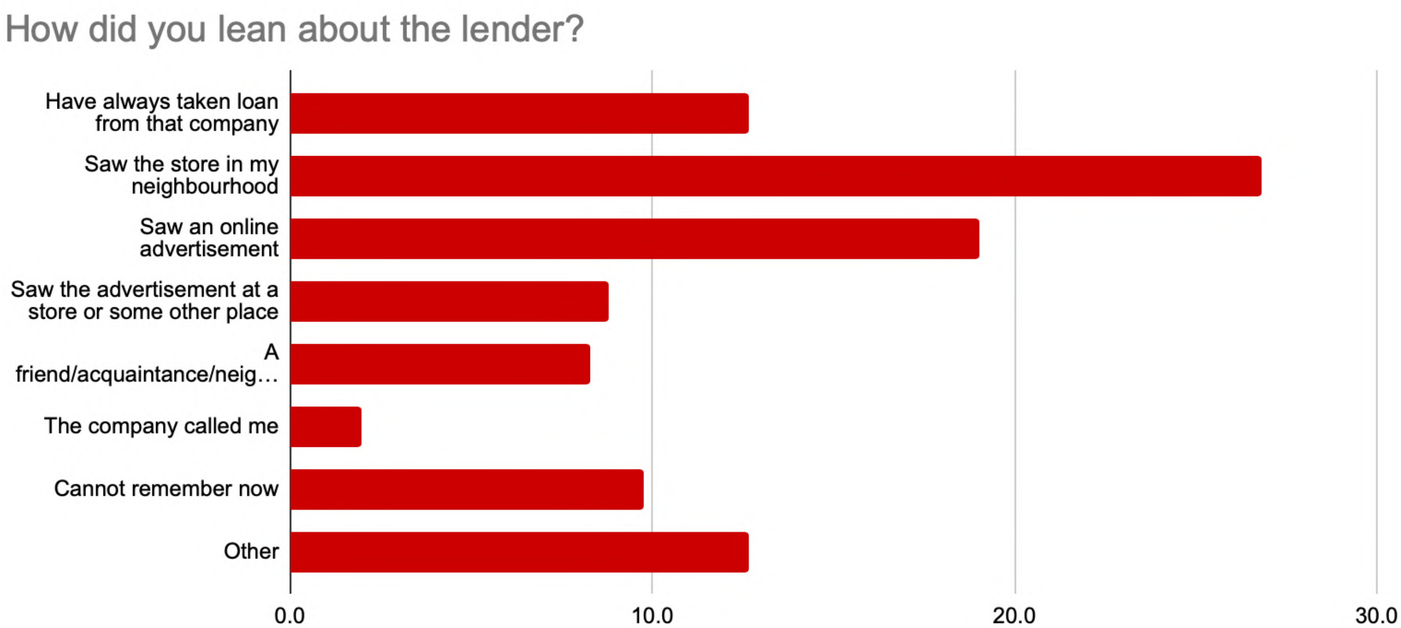
Total amount borrowed in the last 12 months
In relation to the amount borrowed, almost half of the respondents reported borrowing less than $5,000 in the last 12 months. Very few people borrowed more than $5,000.



Company from which the loan was borrowed
The top three companies from which people took out the loans include Money Mart, Cash Money and Easy Financial, followed by others such as ICash, Refresh Financial, Mogo and a couple others.

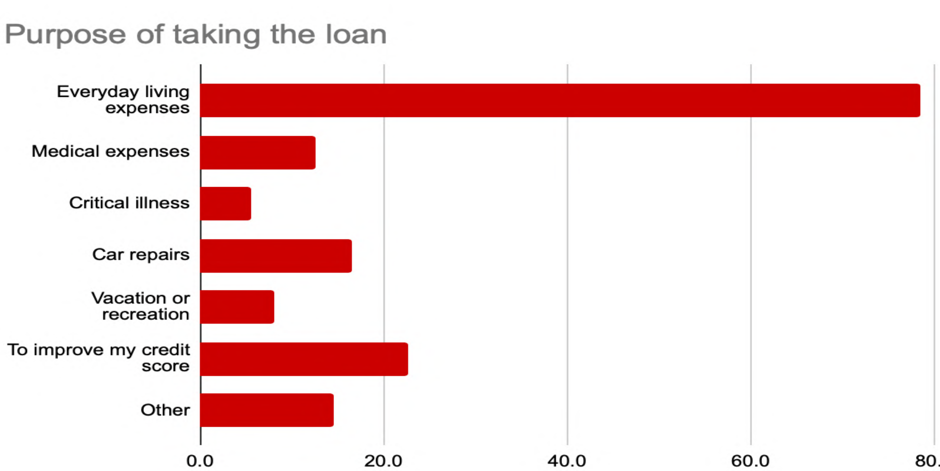


How did you learn about the store?
When asked as to how they learned about the particular lender, most people responded either seeing the store in their neighbourhood or learning about it through an online advertisement. As studies have shown, these stores are usually clustered in low-income neighborhoods to trap people who are already in extremely vulnerable situations. Some people have always been taking out loans from the same company, hence they continue to do so, while a few others said that they got to know about the lender from a friend/acquaintance/neighbour.



Purpose of taking out the loan

- As regards the purpose for which the loan/s were taken, again, not surprisingly, a vast majority i.e. 80% of respondents said that they took out a loan to meet everyday living expenses such as rent, groceries, hydro etc.
- Notably, 22% of respondents mentioned that they took it out to improve their credit rating as they were promised it would help them do so.
- Few people also took these loans to meet medical expenses, critical illness or end of life expenses or to do car repairs.
- A negligible proportion of people borrowed them for a vacation.

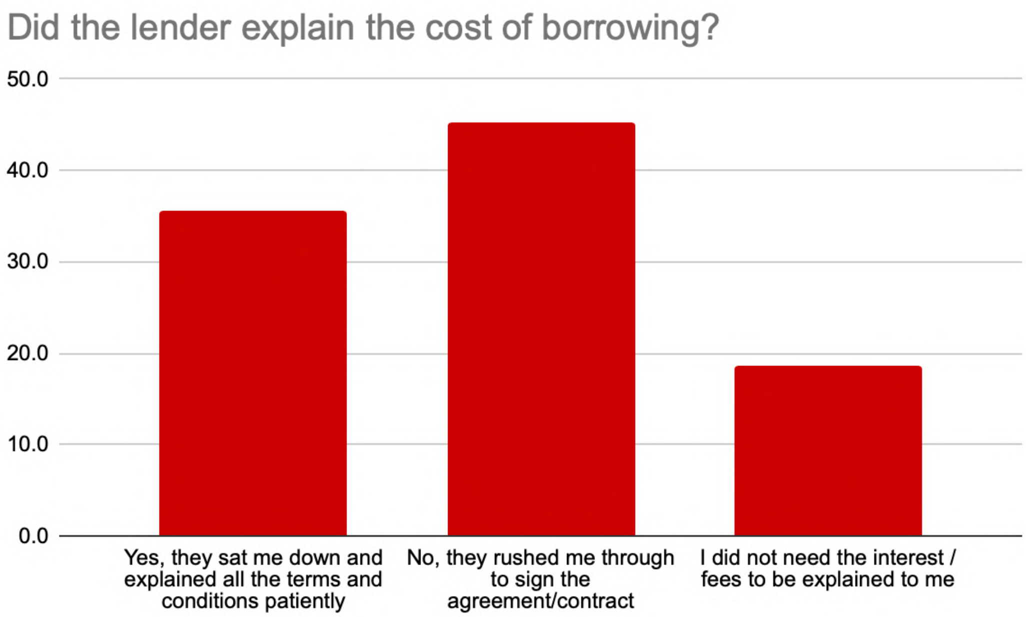


Abhishek, a Toronto ACORN member shared his experience with Easy Financial.
"I was approached by Easy Financial for an easy loan! I was in the process of filing consolidation as I had incurred huge losses in my business and that's when I was approached by the company. I ended up taking $3,200 online as they promised that it will increase the credit rating, but it never did".

Cost of borrowing
It is important to understand if the companies people took the loan from explained the cost of borrowing. The cost of borrowing is the combined dollar amount of all fees, interest charges, costs, commissions, etc. It does not include the principal of the loans or fees charged because of non-sufficient funds or other loan default charges. It also does not include "optional products" people voluntarily sign up for such as insurance or credit monitoring.

- 45% of the respondents mentioned that they were not given explanation of the cost of borrowing, in fact, they were rushed through to sign the loan agreement with the lender.
- 36% said that the company sat them down patiently and explained the terms and conditions.

This is an extremely serious concern given that many people unknowingly fall into this debt trap because the lenders deliberately choose not to explain the fine print and take advantage of the situation people are in at the time of taking out the loan.



Patti from Toronto also shared her experience

"I have been taking payday loans for years now. In fact, I had to file bankruptcy because I got caught up in a vicious cycle of payday loans back in 2005. The company would still not stop calling even 2-3 years after that. Following that, I was in need of money for which I had to take up another loan. So, I went online and applied to Magical Credit. They were all happy to give me the loan but after a point I just couldn't handle it and filed a consumer proposal. If you're on a fixed income, things can be very hard. I went for credit counselling and now I am paying off every month. I have been unable to work since 2010".

Sal, an ACORN member from Toronto has been paying his installment loan he took out online very regularly. However, despite that, as he shared, the amount he owes hasn't changed much!

"I broke my ankle, went on Employment Insurance and was off work for three months. I fell behind on bills. The bills don't change. I don't qualify for bank loans because I filed for bankruptcy over student loans. I knew family could help me out, but I had loaned money from a relative before, and you can only go to the well so many times. Desperate, I found Easy Financial. I thought he needed $2,000 but when I got to the lender's branch in Scarborough Village, friendly, fast-talking staff put papers in front of me and told him he was eligible for $10,000. I don't know how they talked me up to six from two, but they did. I agreed to a $6,000 loan on Dec. 5, 2018. You're desperate to pay your rent, so you sign, like an idiot, you sign. It's easy to get the loan, but that's where the nice part ends, and the financial nightmare begins. Before the 42-month term is finished, I will have to pay Easy Financial more than $15,000. That's not including optional insurance, called Loan Protection Plan coverage, which I paid until he asked the company to cancel it last year. At $57.67 every two weeks, the insurance was $1,500 a year. This thing is sucking the life out of me because all I do is work".

Victor from Calgary shared his experience with Money Mart

"I have taken many payday loans from Money Mart but this was the first time I took out an online loan from Easy Financial. The loan amount was $2,000 to be paid back in 24 months. My ex-partner worked with Easy Home and that's how I got to know about Easy Financial. The online loan was easier and these companies do a lot of advertising that makes the process appear real simple. When I took the loan, it never appeared that bad. After 6 months, when I checked that the amount that was pending, I noticed that the balance hadn't changed. I just became bankrupt and filed bankruptcy. I continued to receive harassment calls, even after filing bankruptcy. They also added some protection plan onto my loan which cost me additional money. I don't remember any conversation with the company about it. And when I actually wanted to use that insurance, there was a clause which didn't let me. It just became very hard to repay the money".

The situation is quite peculiar in Quebec where the lenders cannot charge more than 32% for an installment loan and payday loans are effectively banned. A Gatineau member, Josee, shared that while it's a bit easier for people staying at the border of Ottawa to take out installment loans, companies have also learned how to game the system in Quebec!

Josee from Gatineau share their experience.

"I was trying to get an alternative to payday loans because I live in Quebec where these loans are banned. So, I went online and got to know about Credit Yamaska. The online advertisement was everywhere. I took out $500. They said that to borrow 500 dollars, I have to make 6 payments of $125 each. The loan is very expensive. Even if you are able to make payments earlier than 3 months, you will still be paying $750 for $500. They don't call it a payday loan and because they can't legally charge more than 35% in Quebec, they mask that by saying $125 in 6 payments but the contract they send says 32% plus some fees. I saw another company called Rev Finance that was aggressively advertising at 7% interest loans but then I found out that it was very similar to Yamaska. I don't have a credit card or a line of credit, so it's difficult to get a loan".

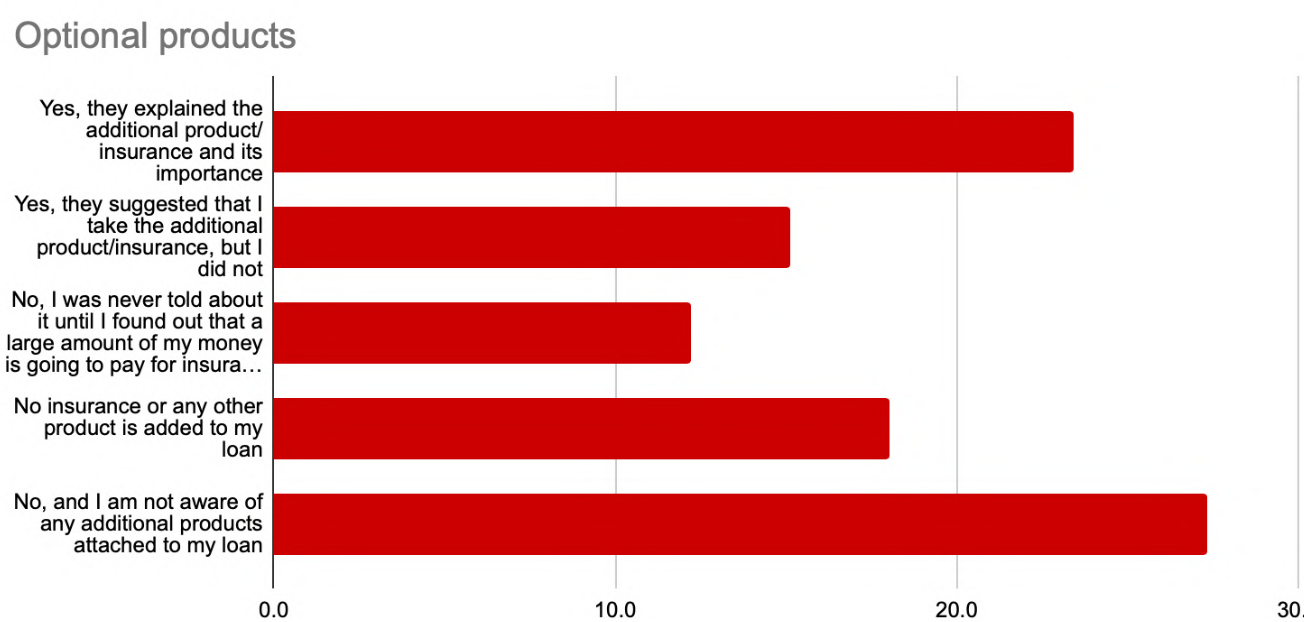
Optional products

Very often lenders offer additional products on top of the loan. Many lenders collect sizable revenue by selling their customers home, auto, credit protection and credit improvement policies that are not required to get a loan. Because they are not required, these are called "optional services". Some of these products are added to the principal amount of your loan with the cost spread out over the whole term. In that case, people pay interest on the cost of those optional services as well.

Most individuals either do not need, want, or can afford to pay for these optional services on top of their already expensive loan. Some lenders try to hide the cost of these products by wrapping them directly into each payment you will make on your loan. According to the Payday Loans Act, the lender cannot offer or provide (including on behalf of someone else) any additional goods or services in connection with the payday loan agreement, such as insurance.

Therefore, it's important to understand if the lenders pushed the respondents to take any optional products.

- While almost a quarter of respondents said they were provided details about the optional product, still, 12% respondents were never informed about these products and in fact they came to know about them only when a large sum was debited from their account.
- Fifteen percent of respondents were told to take these products, but they chose not to.
- Further, it's interesting to note that around 22% of people said that they are not aware of any such product attached to their loan.
- Only 18% of respondents said that they were aware of the fact that no such product was attached to their loan.



Damtre, an ACORN member Nova Scotia is a single mother with two kids. She was on social assistance up until January 2018 but after that starting doing multiple jobs to earn income and at a time, was shuffling between 3 jobs and now handling 4 jobs to make ends meet. Currently, a full-time employee with the YMCA as a peer outreach worker, Damtre feels deeply dissatisfied with the high-cost lenders.

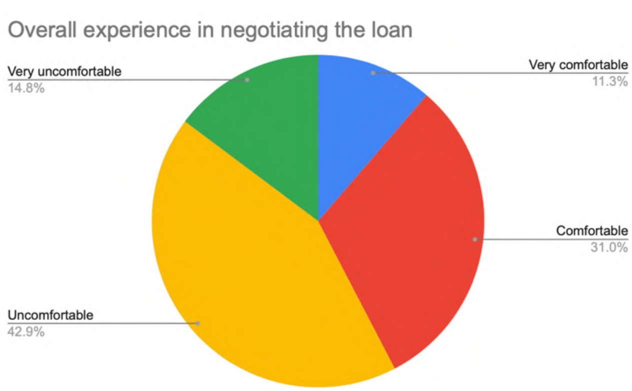
"I didn't have any knowledge about how to handle my finances. Messed up finances when I was young. I used to take payday loans from Money Mart every now and then. There was almost two years back, when both my cars broke, and I desperately needed one to continue going for my jobs. I saw this advertisement of Canada Drive on Facebook and contacted them online. Filled the application online and got a call back saying that my loan of $4,500 was approved. I was happy as it was indeed good news for me. At that point I didn't know that I had a decent credit score and could have approached a bank for financing a car loan. The first surprise was when I saw Easy Financial's logo on the paperwork I received from Canada Drive. Since I had no bad experience, there was no reason to not trust them. I just knew that they were bad but because I was desperate, I went ahead. The loan amount mentioned was $5,100 but they sent $4,500 into my account. I bought this car, a used car which was also not good. So, after 3 months, I went for re-financing as I was told I could re-borrow. I was paying $250 every two weeks. They didn't reloan me, which I realized was a saving grace much later. I went to a bank who told me that I was paying way more than I should. I was paying $600 for roadside assistance and there was some protection plan that was added which was useless for me. After I got them deducted, my payment came down to $125 every two weeks. I also fought with EZ to reimburse for the extra money I had paid them for 8 months, but they paid me back only $100".

Christopher, an individual from Vancouver is somewhat satisfied with the loan insurance he got from Easy Financial.

"I've been in the entertainment industry which has been severely hit due to the pandemic. I was laid off in March 2020 and still there is little sign of any revival. I had taken an installment loan online from Easy Financial. I saw the advertisement online about the loan and because it was much quicker, I went ahead. You can actually take out these loans being in your bed at 2 in the morning! But I lost my job in March due to COVID and contacted the company to cover my payments through the insurance product I took while taking out the loan. The Easy Financial loan protection plan (Assurant) started since March and has been covering my payments up until now. They keep sending the claim forms after every 6 weeks to check if I still need the insurance to cover my payments. I am not sure if they will ask me to make payments for these months when I start working again as that does not make any sense! For now, I feel fortunate that I had this insurance that was attached to the loan".

Retrieving documents in case misplaced

People were asked if they were able to retrieve their loan agreement from the lender. Seventeen percent of the respondents stated it was either not so easy or difficult to get the documents. An almost equal proportion stated that it was very easy to get the documents.



Overall comfort in negotiating the agreement

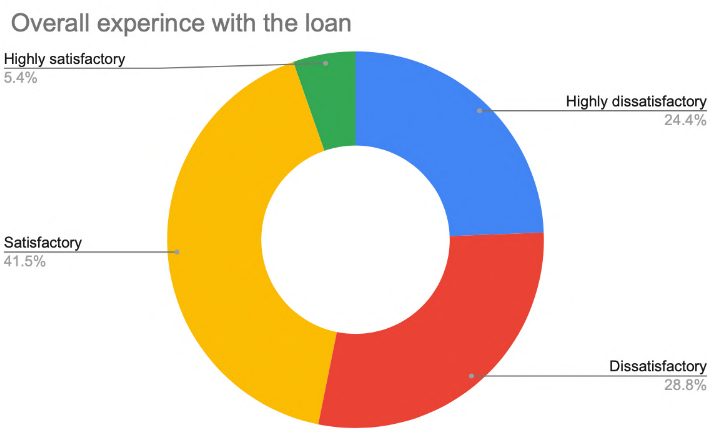
Almost 60% of the respondents rated their experience with the lender very uncomfortable or uncomfortable. This is critical as most respondents, who are low-to-moderate income people, not only have to rely on such loans in the absence of any alternative financial product, but also have to go through a not so comfortable experience with the lender while taking out such loans.

Repaying the pending amount all at once

Respondents were asked if they were able to pay the pending amount all at once if they chose to do so. While it is heartening to note that almost half of the respondents who chose to pay the pending amount in one go were able to do so, there are still 15% of respondents who were told that they could make the pending payment only in a certain way. This means that lenders make it difficult or nearly impossible for people to repay their loans at any given point if they wish to do so. This makes the situation far worse for people who are already strapped for funds and on top of that paying exorbitant interest rates for these loans.

A London ACORN member said,

"I took out an online loan from Mogo. Got to know about it through online advertisements. Initially, I took out $1500 but because of some crisis and since I am on ODSP, I had to take another $500. I was able to bring the loan amount down to $1800 but another crisis hit and I had to take another $700-900 from the company. I was paying $110-120 every month but it did not affect the principal amount. So, I decided to pay it off all at once, but I was told by the company that I had to make "special arrangements" if I actually want to affect the principal amount. The company only allows an incremental amount of 25 or multiples of 25 (like 75) if people want to make any dent in the interest. The interest being charged is 47.5%. When I took out the loan, there was no information on the interest rate or physical location of the company. Whenever I need to talk to someone at the company, there is an option of livechat. But it was very hard to get in touch with someone in the company to actually pay the pending amount of loan as they were trying to ignore my calls".



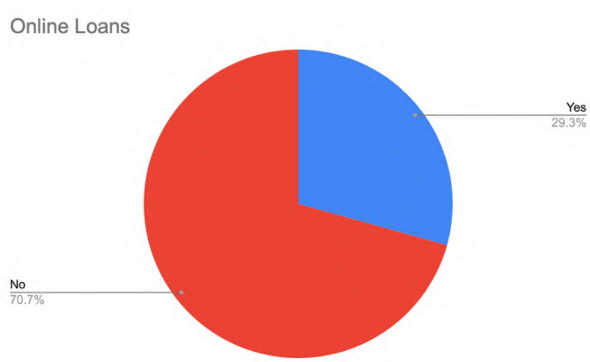
Overall experience with the loan

- Slightly more than half of the respondents rated their overall experience with a high interest loan as either highly unsatisfactory or unsatisfactory.
- Only 5% of people said that they had a highly satisfactory experience.

While speaking with some of the people who took out these loans, all of them said that it was probably their first and last time that they would take out a high interest loan.

Section 3: Online Loans

Out of the total respondents, almost 30% stated that they had taken an online loan.



People who take online loans are younger

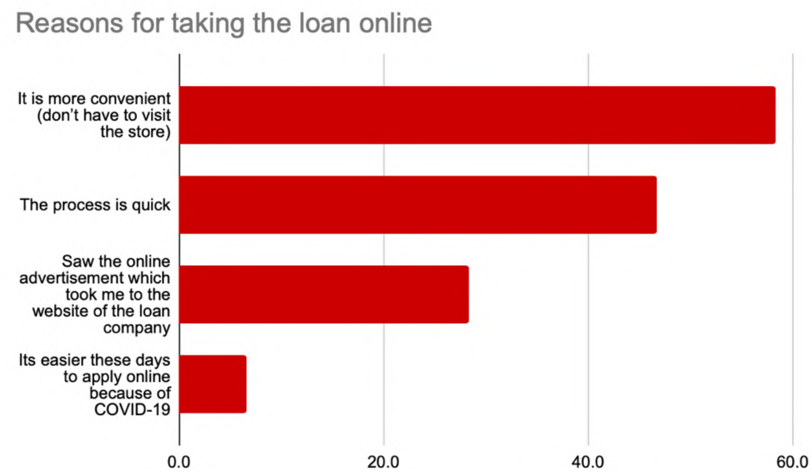
Data shows that more younger people tend to take loans online. For example, 7% of people above the age of 65 years stated taking an online loan compared to 12% of people who took the loan from the storefront lender in the same age group.

People who take online loans are slightly higher income

While 7% of people with income more than $50,000 took out a loan from the store, the proportion went up to 23% in respect of online loans for the same income bracket.

Most common companies from which online loans were taken

The most common companies people took the online loan from include Easy Financial, Cash Money, ICash and Mogo. People also listed several others including Moneytree, Spring Financial, CashCo, Pay2Loan etc.

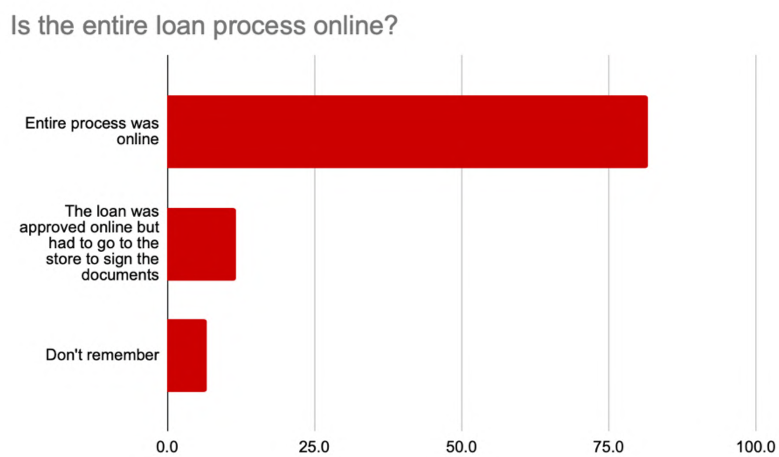


Reasons for choosing online loans

- When asked about the reason why they chose to take the loan online over going to the store, 60% of the respondents said that it was more convenient to take the loan online.
- Further, almost half of the respondents also said that they found the process of taking the loan online quicker as compared to going into the store.
- Close to a third of the respondents saw the online advertisement which automatically took them to the company's website.
- A few also stated that it was easier to apply online during the pandemic.

Stephanie, an individual from Toronto shared how the company enticed her to take the loan.

"Even if I'm in dire need, I will still not take a high interest loan. There needs to be some better way for families, for single people to get ahead. How can anyone save any money? I withdrew a small amount from Cash Money. But then these people called me, and they said that I was eligible for a higher amount of loan. They also sent me emails and told me how to apply online. They advertised it so well that I fell into the trap. I ended up taking a line of credit of $1,000 but ended up paying much more than double the amount. It appears like some help for the time you get the money but then you are in debt for so long! Since the time I paid back this loan, Cash Money has called me umpteen number of times. Honestly, I didn't really understand how much the interest was. I am facing far reduced hours of work now due to the pandemic and am not sure what will happen when CERB ends. I am a single mother with 4 children, two of my children have special needs".



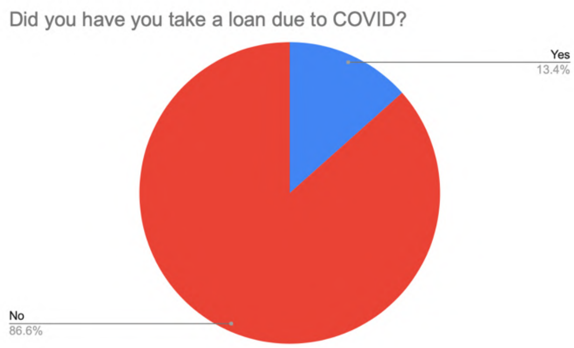
Process of taking an online loan

People were asked if the entire process right from negotiating the loan to signing the agreement and receiving the money was all online. For most of the respondents, the entire process happened online. Still a small proportion of people, around 12%, stated that they had to go into the store to sign their loan agreement.

Ease with which people can contact someone in person

It was also important to understand if, in case of online loans, people were able to contact someone in person in case they had any questions. Close to one-third of the respondents said that they found it either very difficult, difficult or not so easy to contact someone in person.

Section 4: Impact due to COVID-19



Thirteen percent of respondents said that they had to take out high interest loans due to COVID-19. This was during June-July 2020.

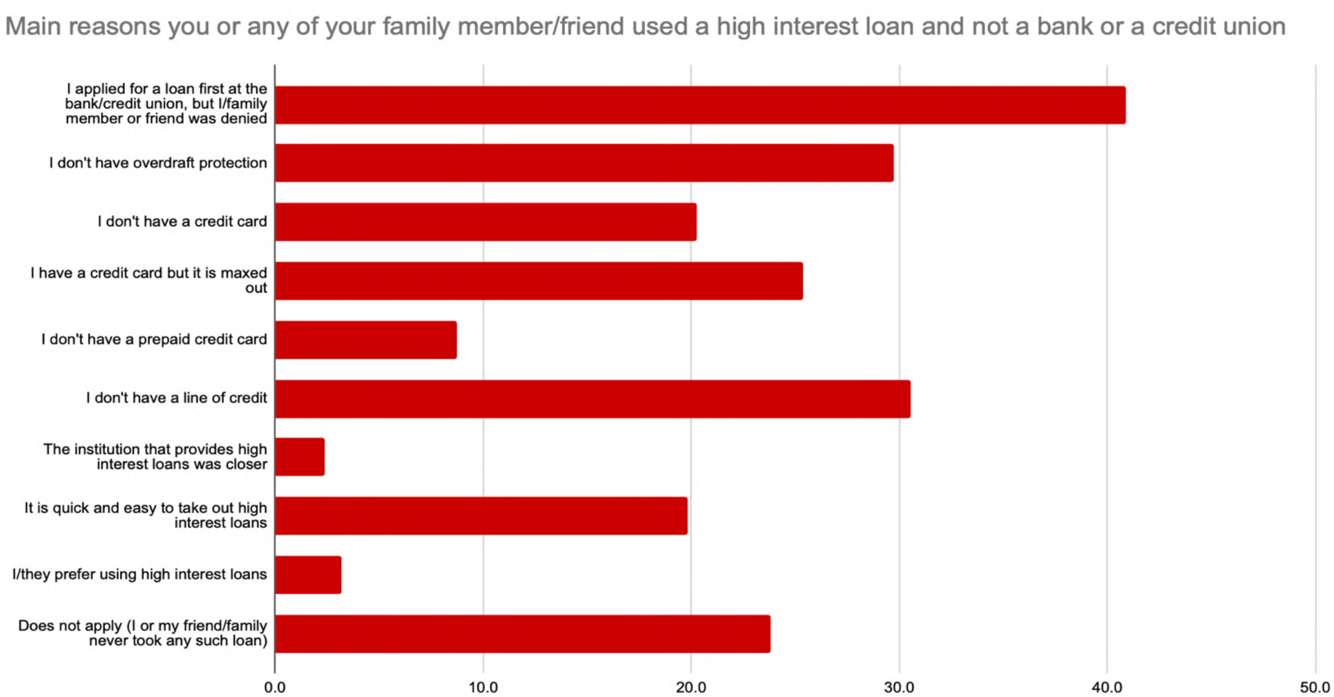
Almost 16% of people stated that they missed some payments to pay off the loan while another 17% said that they have been had missed payments as they were facing a tough financial situation due to COVID.

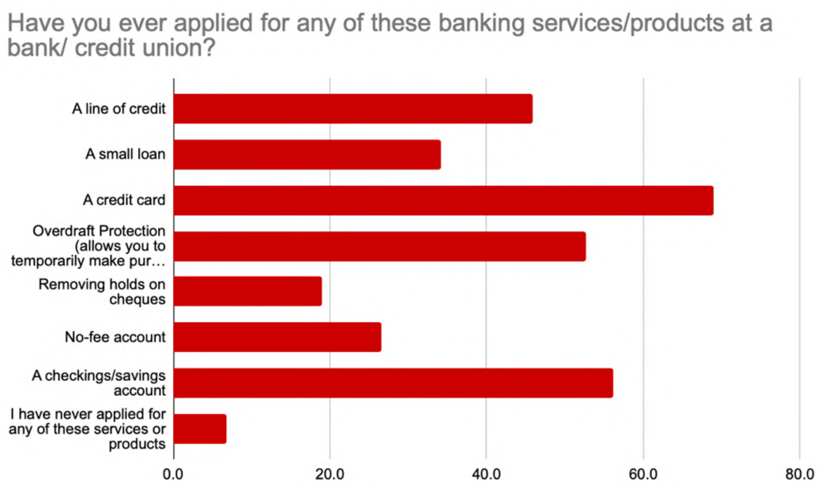
Slightly more than a quarter of the respondents stated that the lenders have been either inconsiderate or extremely inconsiderate during the pandemic. Only 7% found the lenders extremely considerate.

Section 5: Access to mainstream financial institutions

This section was an attempt to understand the extent to which respondents have access to mainstream financial institutions such as a bank or a credit union. First of all, respondents were asked why they or their family member/friend chose to use a high interest loan and not a bank or a credit union.

- Majority of the respondents i.e. 40% applied for a loan first at the bank/credit union, but they or their family member or friend were denied.
- In fact, only 3% said that they prefer a high interest loan.
- Almost an equal proportion i.e. 30% don't have an overdraft protection or a line of credit.
- 20% of people have a credit card but 25% said that it has maxed out.
- 20% of respondents stated that it's quick and easy to take out a high interest loan.



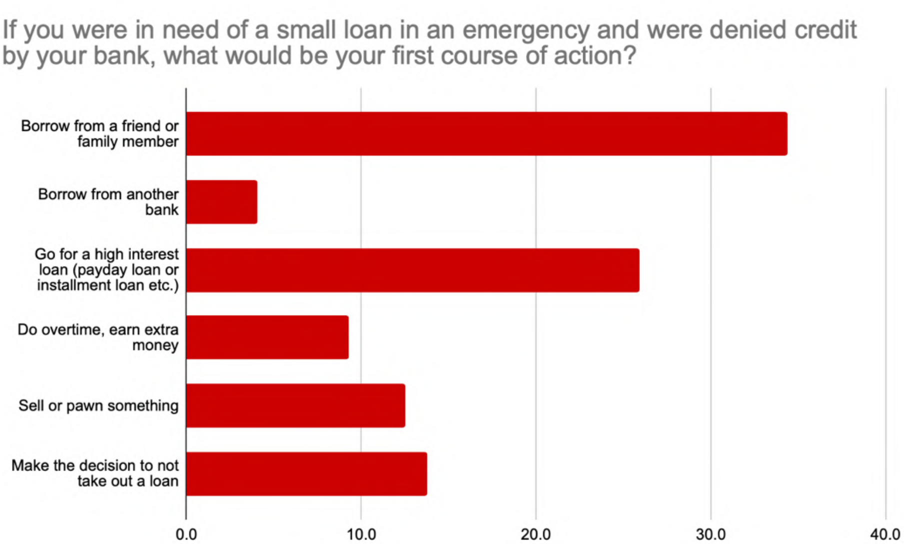


Secondly, respondents were given a list of banking services/products and were asked if they had applied for any of those. They could choose more than one option.

- 70% of respondents mentioned that they had applied for a credit card.
- 56% had applied for a savings/chequing account
- 52% had applied for overdraft protection.
- 46% said that they had previously applied for a line of credit.
- 34% said that had applied for a small loan.
- 26% applied for a no-fee account
- 20% had approached a bank to remove holds on cheques.

These findings are similar to those when a survey was conducted by ACORN in 2016 focusing on predatory loans.

Lastly, people were asked who they would approach first for a small loan if they were faced with an emergency situation.



- 35% said they would reach out to a family/friend.
- 26% said they will have to go for a high interest loan.
- 13% said they would have to sell or pawn something.
- 14% said they would not go ahead with taking a loan at that point in time.
- 10% said they would work extra to make money.

Conclusion

The survey captures the experiences of people who have taken high interest loans. It also tries to highlight the experiences of people who have taken these loans online. It clearly demonstrates the fact that lack of access to mainstream banking institutions forces people to go to fringe lenders. Most people are dissatisfied with these loans and as many stated, it was their first and possibly the last time to borrow a high interest loan and they would do anything to avoid going through the experience again. However, there are still many who have to take these loans repeatedly or are caught in a vicious spiral because of the type of business model on which these loans operate. While the issues in relation to online loans are not unique or very different from those that are taken from the store, it is definitely clear that they are a growing phenomenon and might see more growth in the current times when people need to stay home and exercise social distancing. In fact, as several people mentioned, online channels have become the most preferred way for these fringe lenders to reach out to people and entice them to take such loans.

CONCLUSION & RECOMMENDATIONS

ACORN Canada has been fighting for fair banking for more than a decade. Consistent efforts made by ACORN members have led to stronger regulations for payday loans and in some cases, installment loans. This report is unique as it for the first time investigates the functioning of online loans.

As the review of literature as well as the national survey and experiences of people who have taken high interest loans online show, the nature of issues that affect these loans taken online are broadly similar to those taken from the storefront. However, there are certain specific issues that pertain only to online loans. Hence, the recommendations fall into two categories – those that pertain to high interest loans overall and those that are specific to online loans.

A. Recommendations in relation to high interest loans

It is amply clear that people do not go for high interest loans by choice but because of a lack of it. These loans are nothing but predatory. In fact, in the absence of alternative products, the trend is towards more people taking installment loans which means higher debt. Banks need to play a much more proactive role in ensuring that everyone has access to fair banking. Moreover, the pandemic has demonstrated the significance of special efforts that governments need to undertake so that rights of people at the margins are protected.

i. ACORN recommends that the federal government must mandate banks to do the following:

- Provide access to low interest credit for emergencies.

Providing low interest access to credit would ensure that low-and-moderate income earners have options if they run into unexpected financial issues, so they are not forced to rely on fringe lenders charging excessive rates and fees.

- Provide low interest overdraft protection.

Low interest overdraft protection would allow low-to-moderate income earners to avoid missing payments or bouncing cheques. The overdraft temporarily covers payments when there are not enough funds available, to be repaid with interest.

- Provide no holds on checks.

By placing holds on cheques, banks push low-to-moderate income earners to find access to credit elsewhere. Rather than wait for the cheque hold period to end, people who need access to the funds immediately will pay excessive rates and fees to cash the cheque at a cheque cashing outlets or take a payday loan.

- Lower the NSF fees from $45 to $10.

The current rate of $45 is excessive and causes many people to rely on predatory loans. It is cheaper to pay interest of up to $25 (depending on the province) on a $100 payday loan than bounce a $100 cheque and pay a $45 NSF fee.

ii. The federal government must amend the Criminal Code to lower the maximum interest rate from 60% to 30%.

As this study shows, more and more people are moving towards installment loans. Hence, it is critical that the maximum interest rate is lowered to make lending more affordable for low-and-moderate income borrowers.

iii. Create stronger regulations to prevent people from getting pushed to taking optional products, like an insurance

As the study shows, lenders are pushing people to take optional products such as insurance. Some people reported that they weren't even aware of them until extra amount was debited from their account. Hence, there needs to be stronger regulations so that companies face penalties if they push people to take such products or take advantage of them without making them aware of any such product being attached to their loans.

iv. Create a national multi-jurisdictional anti-predatory lending strategy.

Tackling predatory lending at a national level will provide the opportunity to address gaps in regulation and will allow the sharing of best practice across the country.

v. The federal government must create a fund to support alternatives to predatory lenders, such as postal banking and credit union credit products geared toward low-and-moderate income families.

By encouraging the creation of other products, the gap in financial services for low-and-moderate income people will be filled, saving many low-and-moderate income people from relying on predatory lending.

vi. Create a real time national tracking system (or database) to help stop rollover loans.

A real-time database which keeps a record of payday, installment and title loans would ensure that borrowers are not taking out multiple loans with different lenders. This would help prevent rollover loans, where customers borrow from one lender to pay an existing lender, preventing customers from spiraling into debt traps.

B. Recommendations specific to online loans

- All consumer protections that apply to storefront operating loans must apply to online loans.
  - The legislative scan shows that while many provinces make reference to loans taken on the internet or remote loans, these regulations primarily pertain to payday loans. Except for Manitoba and BC (where regulations have still to be enforced), not many provinces have regulations with respect to installment loans taken online. Given the increasing trend towards installment loans, it is critical that provinces make specific regulations relating to installment loans taken online.
  - Another factor that makes online loans more susceptible for misuse is the extent to which lenders provide information on their website. Many people who end up taking high interest loans are not fully aware or have access to complicated information that must be verified before taking a loan. Hence, it's extremely important for provinces to pass stringent regulations so that lenders share information transparently on their website, specifically about their license, location, cost of borrowing, cancellation of loans, optional products etc.
  - If at all there are any optional products attached to the loan, the regulation must enable earlier disclosure of the presence and the cost of optional charges — i.e. not at the point of signing.
  - Especially when an individual is taking an online loan, the regulations must ensure that there is someone available in person (and not just online) or there's easy accessibility to answer any questions or doubts that the individual may have during or after taking the loan.
  - There needs to be much more consumer education regarding illegal online loans.

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