



END 2 TIERED BANKING:



#FairBanking

ACORN Canada Members' testimonials
on the Failure of the Canadian Banking
System and the Rise of Predatory Loans



ABOUT ACORN

ACORN Canada is a community union of low-and-moderate income people with 140,000+ members in 24+ neighbourhood chapters across 13 cities. Join us and fight for fair banking.



ACORN's Fair Banking/ End Predatory Lending Campaign

ACORN members have been fighting for fair banking for years. We launched our national campaign to have the Federal Government regulate predatory lending in 2005. Since then, we have done a series of actions calling on our MPs as well as our provincial MPPs to make changes in laws and policies so that everyone has access to fair banking and fair credit. ACORN members have secured victories in the provinces of Ontario and BC as well as across several cities. However, the trends relating to predatory lending are concerning. **ACORN's latest study shows that there was a 300% increase in the number of people who took out an installment loan in the survey done in 2020 as opposed to that in 2016. Installment lenders can charge 60% interest rates while payday lenders continue to charge exorbitant interest rates of 500% legally!!!**

During the pandemic, **the banks got \$750 billion in liquidity support** from the Federal Government. In fact, the Big Banks are raking in millions of dollars in profit, yet they don't do anything to support low-to-moderate income people. Instead, all of the Big Banks announced a hike in bank fees which will push people to predatory lenders even more.

This document brings together a set of testimonies from our members across the country who have had experience with predatory lenders such as Money Mart, Easy Financial, Cash Money and others. These testimonies clearly highlight the urgent need for the Federal Government to step in.

ACORN'S DEMANDS

ACORN members have brought issues related to predatory lenders to centerstage. Due to persistent actions and campaigning by ACORN members, the Federal Government announced in Budget 2021 that a consultation will be launched on lowering the criminal rate of interest in the Criminal Code of Canada. This will include installment loans (loans over \$1,500) among other things. We now need action from the Federal government.

01

LOWER THE CRIMINAL INTEREST RATE FROM 60% TO 30%.

Lower the maximum rate to an Effective Annual Rate of 30%. Ensure that the maximum rate includes all associated lending costs: Fines, fees, penalties, insurance, or any related cost.

02

LOWER THE NSF FEE 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.

03

INCLUDE PAYDAY LENDING BY REFORMING THE CRIMINAL CODE.

Repeal section 347.1 which provided an exemption to payday lending by transferring responsibility to the provinces. The Criminal Code maximum rate of interest must include all consumer credit in the market today or in the future, including payday lending.

04

INTRODUCE A FAIR CREDIT BENEFIT REQUIRED UNDER THE BANK ACT.

The Bank Act and the Access to Basic Banking Services Regulations outline that banks have a responsibility to make basic banking services available to all Canadians. The Federal government must mandate Banks to provide an affordable loan for low and moderate income people back-stopped by the Government of Canada, so they can avoid predatory lenders in a time of personal financial crisis.



Kathleen, Ontario



"The banking system was not there to help anyone at all. I knew I would be turned down."

I moved during November 2019 which is when I first approached Easy Financial to buy furniture. But then almost a year later, my mother died and at the same time we were at a point when COVID had just started and the company I was working in started giving leave of absence to people. The entire situation seemed so uncertain at the time. There was no news of any kind of support from the government, no CERB, nothing. This was also the time when I lost my mother. Easy Financial sent some documents to a lot of us saying that we can take a top up loan. Given the situation, I felt I needed it. So, the total loan I had now was about \$5000. I kept paying it regularly since I took it but then when I checked the balance, it showed \$5400!

I realized this when I called them up to say that there will be two months when I won't be able to make loan payments but after that it would be the first and fifteenth of every month. They slaughtered me with 700 dollars in fees and interest plus a back payment. I also never realized that the interest rate was so high. When I took a top up loan, they made it sound so easy like saying it would be only \$15 more on each payment! So I got into the trap. Now I owe them more than what I even originally took.

I always knew banks won't help me. So why bother? I raised 5 kids and worked all my life. They just don't care. After my husband died 11 years ago, they dropped me like a rock! If your credit score is not like 900 or whatever, they just don't care. It was during the pandemic that I had to take this loan. The banking system was not there to help anyone at all. I knew I would be turned down.

Sal, Ontario

"I had approached a bank for overdraft protection ... - it's simple for them, bad credit and you get nothing from the banks."

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 I 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 me I 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.

I finally filed a consumer proposal and I wasn't seeing any end to the payments. Even after paying regularly after a year, when I asked how much I owe, they said \$5000 - the amount I originally took from them!

I had approached a bank for overdraft protection before I went to Easy Financial but they won't give it to me - it's simple for them, bad credit and you get nothing from the banks.

Lydia, Ontario

"The government doesn't understand what these loans mean for people because they haven't had to take one."

It was so easy to get an installment loan because I was a nurse. I had to take a \$5000 loan from Cash Money at the time because I was out of school and had just got a job. But my job was in Burlington and I had to get my car repaired so that I can travel and manage two casual jobs at the same time.

I was expected to pay \$300 per month. Initially, when I got the loan, I thought that for a \$5000 loan I would be paying \$7500 back loan but after the first year of payment, my statement showed I owed \$4300. That was when I realized I had just thrown away \$3600 without putting a dent in the principal.



When I realized I would have paid them \$12780 at the end of the term I was given, I used my tax returns to pay down the loan within 2 years. I consider myself lucky that I was able to come out of it, it's a vicious cycle.

I couldn't go to the bank to take the loan because my credit score wasn't that good. The government doesn't understand what these loans mean for people because they haven't had to take one!

James, Ontario

"It's only the poor and vulnerable who are victims of this monstrous level of greed and get trapped in its claws."

I became caught up in a vicious cycle of having to borrow and then pay the interest in 2 weeks on my payday loan. I had to reborrow because I needed to pay for my son's therapy as he has special needs and my benefits quickly ran out. My son needs regular therapy sessions for Speech and Language and he needs occupational therapy for his fine and gross motor delays. He needs tutors to help him learn as well as adaptive equipment. To support his needs, I needed to get access to quick money because banks refused to give me loans.

I was paying these cash places \$700 in interest alone every 2 weeks so \$1400 a month.

The amount I borrowed was \$5,000. I was paying \$1,400 per month for borrowing \$5,000 and was not able to pay any of the principal. Their installment loans are just as bad - 40% interest rate is just not right. Especially now during a pandemic, put a stop to these outrageous interest rates. They will say they charge high rates to protect themselves from risky borrowers. I can assure you that they do not take unnecessary risks. Before they decide to lend to you they will look into 3 months of your bank statement activities and know exactly how much you earn and where every dollar is spent.

They will not lend you money if they have concerns. It's only the poor and vulnerable who are victims of this monstrous level of greed and get trapped in its claws. Someone needs to bring these companies down a notch to more reasonable lending especially now more than ever during these times of financial insecurity due to the pandemic. Many people will be forced to go to these places to feed their families or for emergency needs.

Patricia, Ontario

"It's like being in a tornado and you're just whirling around month after month. It's never a catch-up."

I was employed at the time, so I went to a payday lender — not for a payday loan, but for an ongoing line of credit. I was like, OK, let's see if I qualify for the loan because I'm working. I was able to borrow \$1,500 early in 2019 from Cash Money. But then I lost my job, and in 2020 came the pandemic. I had to refinance the loan twice, and went to another lender, Money Mart, for an installment loan that could be repaid over two years.

I have a current 36-month loan with Money Mart for \$4,850 at an interest rate of 46.9% which is the second refinance agreement with the company. I work as a cleaner for a grocery store chain. Initially, I had an installment loan of \$1,500 with Money Mart to help my two daughters when they fell behind on bill payments at the rented townhouse we share. Since then, I have received regular communication from the company asking



me if I'd like to refinance and borrow additional funds. They keep telling me, oh, refinance your loan, you'll save some money.

After borrowing the initial \$1,500 in the spring of 2019, I refinanced and borrowed additional funds later in the year to buy Christmas presents for my family. Then on April 1, 2020, because I was worried about paying my bills during the pandemic, I refinanced again borrowing around \$2,840 on top of \$2,010 to extinguish my previous loan. I thought it's best to have some extra money in the bank.

I am now borrowing to pay for public transportation to get to work or to cover my rent. It's an endless cycle. It's like being in a tornado and you're just whirling around month after month. It's never a catch-up.

I'd love to get a bank loan. But I don't have a car, I don't have a home, I don't have any assets. I don't qualify.

Loni, BC

"At a time when the Bank of Canada rate of interest was 0.5%, I was paying an exorbitant rate of interest on the line of credit I took from Cash Money."

I had to file bankruptcy recently because the bank would not renew my credit card because they said that my credit card rating was down by 12 points! I was relying on that to consolidate my debt but that's not possible anymore. At a time when the Bank of Canada rate of interest was 0.5%, I was paying an exorbitant rate of interest on the line of credit I took from Cash Money. I also had to take out a payday loan 6 months back because my cat was ill.



I approached the bank before I reached out to Cash Money. I have been taking loans from these predatory lenders for years now because they are the only option available. The cost of living just keeps increasing and there's nowhere else to go. It's ridiculous that low and moderate income people have to take loans at such high rates when the bank rates are so low. I was paying 80 dollars in interest and made very little to make any dent in the principal amount.

Charles, Ontario

"Having these Money Marts is not a good reflection of the economic and social condition."

I have taken payday loans from Money Mart across the street a couple of times. They would take the money back from the next pay cheque along with the fees. They are popping up everywhere. For me, they were the only choice. People need money for an emergency - dental work, funeral - anything can happen. It was a difficult decision between putting food on the table and paying rent. Banks were never an option, I had a credit card and missed a payment once and then saw the payment that I owed to them shoot up.

Banks make millions of dollars of profit yet do nothing to help people. Banks in Canada are some of the most profitable institutions in the world!

Having these Money Marts is not a good reflection of the economic and social condition.

One time, I went to Money Mart with my son who had a credit card with them. He had \$750 in that card and when he went to claim that amount, those guys said that he doesn't have any money. So my son gave all the card details and then they said, oh yes, he does have \$750. It doesn't seem right, it's usury.

Marinus, New Brunswick

"Since I had filed for bankruptcy which stays on your record for 7 years, there was no way to get any help from the banks."

I was in dire need of a computer and some home furnishing, primarily a couch and loveseat. I decided to go for an installment loan from Easyhome. Since I had filed for bankruptcy which stays on your record for 7 years, there was no way to get any help from the banks.

I paid for both on installments. I quickly paid off for the laptop. Once paid off, Easyhome was to remove a block on the computer system that would be placed in the event of non-payment of the laptop. But, it was never removed. I then ran into some health issues and wasn't able to make payment for the couch and loveseat for a couple months. Easyhome, rather than call me to discuss and make payment arrangements, placed a block on the laptop.

This was not something in the contract and was technically ILLEGAL. I took the laptop and spoke with the manager and dropped off a letter threatening to take the matter to civil court if the block was not removed. The computer was left in their shop for several days. They called me several times saying this was a virus. I argued this and refused to pick up the laptop until the block was removed. Reluctantly, the store manager finally removed the block. When I went to pick up the laptop, the Store Manager offered me a settlement to pay off the couch and loveseat early. I was told that if I pay him \$268, they would wipe out almost \$2,000 debt. I agreed to this verbally and came back 2 days later with cash in hand. The Store Manager then refused to accept this saying that I had only 24 hours for this offer. I got suspicious as nothing was in writing regarding the offer and left the store. A few days later, they showed up at my door to repossess the furniture which I refused.

They have now passed it to the Collections Agency and the Collections Agency has called me several times. When I explained to them what Easyhome had done, the calls from collection agents stopped for a while.

Adrien, New Brunswick

"They use flowery language to gloss over the exorbitantly high interest rate to fool you into thinking it is a good deal."



I took a loan from Easy Financial in the Fall of 2020, at a rate of 48% interest. I took out a \$10,000 loan to pay off an existing loan and I knew I wouldn't get it from the bank because my salary was not enough. I was very surprised at how easy it was to get approved for a loan from Easy Financial. They use "flowery" language to gloss over the exorbitantly high interest rate to fool you into thinking it is a good deal. It's almost like I felt pressured to take the loan.

After about 6 months into the loan payment period, I realized I was not able to continue on in that manner, and of course their answer was to loan me more money.

Luckily I found out about Canadian Consolidated Credit who were able to negotiate with Easy Financial to allow me a loan at a much lower interest rate (about 20-25 %). I am now able to continue my loan payments through Canadian Consolidated Credit. It's almost impossible to keep up with the payments for these predatory loans. I was hoping to be retired by now. They should mention - Buyer Beware - because they will say pretty much anything to sell their product. They knew I was low-income but they still gave me a loan of \$10,000! They target people like me. I was laid off during COVID and hadn't made enough to qualify for EI, so I had to collect CERB and now I owe money to be paid into taxes!

Joanne, BC

"How is it fair that few big players own the world?"

I had to take out a payday loan recently from Money Mart of \$500 for which I paid a very high interest rate of \$75. I needed money for car repairs and some additional bills.

I can't approach a bank because I went bankrupt in 2016. I used to own a business which went down because of the coming in of several big players.



Now, I have been on disability for a while. My health got compromised because I was working very hard, 7 days a week. I even managed to get a business loan - but the business did not last more than 4 years. How is it fair that few big players own the world?

David, Ontario

"Last time when I took out a payday loan, because of the way it was set up, I paid an interest rate of 1000%."

I went to the store to take out a payday loan but when I asked them for a \$500 payday loan, the company executive told me that I was eligible for an installment loan of \$7,000. Since I had so many things to take care of, I went ahead. I am a Financial Advisor, so I know how high the interest rates are. Last time when I took out a payday loan, because of the way it was set up, I paid an interest rate of 1000%.

When the pandemic hit, my business went down drastically and I had to go on CERB. I have been surviving off government support.



I never even tried a bank because my credit score is bad, so I know I will be denied. I am only paying interest upfront and nothing else but I have no choice! When I took out the loan, I thought I would be able to pay it off but it has been very difficult because of the pandemic

Dametre, Nova Scotia

"I didn't know that I had a decent credit score and could have approached a bank for financing a car loan."

I didn't have any knowledge about how to handle my finances. I messed up my finances when I was young. I used to take payday loans from Money Mart every now and then. This was almost two years back, when both my cars broke, and I desperately needed one to continue going to my jobs. I saw this advertisement for Canada Drive on Facebook and contacted them online. I filled out 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 with them, there was no reason not to 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 re-loan 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 me for the extra money I had paid them for 8 months, but they paid me back only \$100.

Diane, Ontario

"Payday lenders are a trap. I still owe money, its been years and years."

I have a lot of experience with payday lenders because I have dealt with a lot of them. I would borrow from one and then another one and then another for years. Finally, I had to go to one of those places that help with paying off these lenders but I realized later that in 3 out of 5 years I had paid only to the trustees and had paid nearly nothing to the payday lenders. And therefore, I still owe them money.

I always had to take out these loans to pay for rent or food. It was always one lender after another. I have been on disability for 18 years now and it has never been easy.

Recently, my bank - BMO - abruptly closed my bank account without any notification, whatsoever, leaving me without any income as I was expecting to receive my ODSP cheque. I kept following up with the bank but then just gave up. Banks don't care about low-and-moderate income people.

I have been struggling with my rental home, living in substandard conditions and I know if I leave this unit, I won't get any house that is affordable.

David, Toronto

"I was promised that the interest rate would come down when my credit score improved, that never happened."

At a time in my life when I was desperate and struggling, this company enticed me to accept a loan. They promised to reduce my interest rate. I told them I didn't want a further advance but they pressured and promised reduced interest. My current interest rate is approximately 45%. Since taking a \$9000 loan, I have already paid over \$6000 back. However, because of the interest, I am still owing almost \$9000.

I have reached out to the institution requesting that they work with me to reduce the interest/amount owing. I was told, "well you signed a contract."

They simply refused to negotiate a better option for me. However, if this matter should go to collection, it is almost guaranteed that they will try to negotiate a settlement. Why does it have to go there when I am here now trying to settle the issue in good faith? I have already informed them of my intention to stop payments. They promised to look into it but have not gotten back to me, even after my follow-up.

I am not trying to dodge responsibility here. The issue is that they played on my vulnerability and pressured me even when I didn't want to take the loan (I had started the application but stopped before I foolishly got duped into completing it). They also promised that my interest rate would go down when my credit score increased. That did not happen. Instead, when I called, they were trying to get me to take out another loan or make smaller payments. That does not help with the problem.

Join us to end predatory lending!

ACORN Canada National
715B Danforth Ave. Toronto, ON
M4J 1L2
Phone: 416-461-5322
canadaacorn@acorncanada.org

