

February 21, 2017

Sent via email: kkoch@ola.org

Chair: Peter Tabuns, MPP
Standing Committee on Social Policy re: Bill 59
Room 165, Main Legislative Building, Queen's Park
Toronto ON
M7A 1A5

Re: Payday Loans and the *Putting Consumers First Act*

Dear Mr. Tabuns:

We are writing today to provide our comments regarding the Committee on Social Policy's (the Committee) review of Bill 59: *Putting Consumers First Act* as it pertains to payday loans.

Hoyes, Michalos & Associates Inc. is a firm of Licensed Insolvency Trustees based in Ontario and we meet every day with heavily indebted Ontarians who are harmed financially by using payday loans.

In addition to our personal experience with insolvent Ontarians, every two years we conduct an in-depth research study based on data collected as part of our mandate as Licensed Insolvency Trustees. We call it our *Joe Debtor* study, and it will be released in April, but for the benefit of the Committee, we would like to provide you with a pre-release of our most recent study findings. We hope that this information will help ensure that the Committee is fully informed about the risks facing heavily indebted Ontarians when they turn to payday loans.

We are concerned about the increasing use of payday loans among Ontario's most heavily indebted consumers. Our findings clearly show that payday loans are a leading contributor to Ontarians filing insolvency (both personal bankruptcies and consumer proposals) and that payday loan induced insolvencies are on the rise. Our study indicates that:

- One in four (25%) insolvent debtors have at least one payday loan at the time they file insolvency. This rate of payday loan insolvencies has increased from 18% in our study two years ago.
- Insolvent debtors owe multiple payday loans to multiple lenders at the same time. The average insolvent debtor has 3.4 payday loans at the time of filing with a total payday loan debt of \$2,997. Payday loan debt accounted for 9% of an insolvent payday loan borrowers' unsecured debt load.

- Insolvent payday loan borrowers end up owing more than they earn in a month. On average, they owe \$1.21 in payday loan debt for every dollar of monthly take-home pay.
- Middle and upper income earners are much more likely to use payday loans to excess leading to insolvency. 68% of insolvent payday loan borrowers have a net income over \$2,000 a month, and insolvent payday loan borrowers with an income over \$4,000 have the most loans outstanding at 3.8.
- 11% of insolvent seniors use payday loans, and they have the highest payday loan debt of all users at \$3,593.
- 38% of insolvent debtors aged 18-29 have a payday loan, the highest usage among all age groups.

We believe that payday legislation must reduce the risk of consumers taking out multiple payday loans from multiple lenders and borrowing more than their income will allow them to repay. As such we recommend the committee consider regulations that will require payday lenders to:

- Advertise the annual percentage rate cost of borrowing, and not merely the “cost per \$100” as is current practice;
- Report all short-term loans to the credit reporting agencies, so that lenders are aware of excessive existing payday loans, but also so that borrowers can benefit from an improved credit score when they repay those loans; and
- Discontinue the use of teaser ‘introductory rates’ that only serve to encourage excessive short term borrowing.

We thank you for considering these suggestions. Background information is available at joedebtor.ca/paydayloans, and we would be pleased to provide additional supporting documentation and testimony as required.

Yours truly,

Hoyes, Michalos & Associates Inc.
Licensed Insolvency Trustees


Per: J. Douglas Hoyes, CA, CPA, CBV, LIT


Ted Michalos, CA, CPA, LIT