



News Release

April 4, 2008

By Order 39/08, the Public Utilities Board (Board) has set the maximum amounts that may be charged for payday loans in Manitoba. The Board's Order follows a mandate provided by provincial legislation. Upon full proclamation of the legislation, maximum rates will be as follows:

Cost of Credit

The maximum cost of credit that may be charged, required or accepted in respect of a payday loan, excepting for loans to persons on employment insurance or social assistance, or for loans in excess of 30% of the applicant/borrower's expected next pay net of deductions, will be:

- a) 17% of value received to \$500; plus
- b) 15% of value received from \$501 to \$1,000; and
- c) 6% of value received between \$1,000 and \$1,500.

For payday loans to persons on employment insurance or social assistance, or for loans in excess of 30% of the applicant/borrower's expected next pay net of deductions, the maximum cost of credit shall be 6% of value received to \$1,500.00.

If a payday loan is fully repaid more than five (5) days prior to the loan's due date, but after the 48-hour cooling-off period, the cost of credit shall be retrospectively set at the original cost of credit, less \$3.00 for each day over five (5) days the loan is repaid early, with a minimum cost of credit of \$10.00. In determining adherence to this maximum, all charges and interest of any and all kinds, however determined or levied, are to be included in the calculation.

In its next review of maximum charges, which is to take place no later than three years from the date of the proclamation of the regulation setting maximum charges, the Board intends to review the thresholds at which these amounts are now established, to consider inflation.

Extension, Renewal or Replacement

The maximum amount that may be charged, required or accepted in respect of an extension, renewal or replacement loan is 5% of the balance extended, renewed or replaced.

Only one charge is allowed for each extension, renewal or replacement event, notwithstanding the number or frequency of times that extension, renewal or replacement occurs. No separate interest or any other charge may be levied related to the extension, renewal or replacement of a payday loan.

Default

The maximum amount that may be charged, required or accepted in the case of default will be \$20, and that for only one time, plus a maximum rate of interest of 2.5% per month not to be compounded, unless an extension, renewal or replacement loan is provided. In the latter case, no default charge may be applied, required or accepted.

Debit/ Credit Card Charges

With respect to charges for or related to debit and credit cards where the borrower does not have the option of receiving cash, the aggregate amount of any charges that may be levied on or accepted by a borrower, including the estimated or known charge by a third party based on the assumption of one transaction, is to

be added to the cost of credit and, if the sum exceeds the maximum cost of credit as set out above, then the excess is to be deducted from the cost of credit.

Commentary

The maximum rates that will be allowed constitute a significant decrease from the averages now charged by the industry, and the Board anticipates that some lenders will close, leaving the more efficient to continue to operate in Manitoba.

The maximums were set following an extensive hearing consisting of 24 sitting days in Winnipeg, and half-day sessions in each of Brandon and Thompson. Participants to the hearings included industry interveners, consumer advocacy groups and called witnesses.

The Board concluded there is a need to reduce the cost of payday loans for those unfortunate enough to require high-cost loans from payday lenders, and recognized that the maximums, while considerably lower than now present in the industry, will continue to provide for annual percentage rates well beyond the rates charged by mainstream banks and credit unions.

Along with its rate determination, the Board provides extensive commentary and recommendations, the latter towards the goal of eventually reducing the number of Manitobans availing themselves of payday loans.

A copy of the Order, which contains considerable background information, may be reviewed on the Board's website www.pub.gov.mb.ca.

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