

**BY E-MAIL: [consumerpolicy@ontario.ca](mailto:consumerpolicy@ontario.ca)**

May 20, 2016

Payday Loan Cost of Borrowing Review  
Consumer Policy and Liason Branch  
Ministry of Government and Consumer Services  
5<sup>th</sup> floor, 777 Bay St., Toronto ON M7A 2J3

## **Re: Payday Loan Cost of Borrowing Review**

The HIV & AIDS Legal Clinic Ontario (“HALCO”) is pleased to provide its submissions as part of the Ministry of Government and Consumer Services’ (“MGCS”) Payday Loans Consultation.

### **Background**

HALCO is a poverty law clinic serving the legal needs of low-income people in Ontario who are living with HIV/AIDS. We are a charitable, non-share capital corporation with nine members on our Board of Directors, the majority of whom are HIV positive.

We deliver five kinds of services: legal representation; summary advice, brief services, and referrals; public legal education; community development; and law reform. In 2015, we handled over 3500 requests for legal services and delivered over 70 workshops. We provide services in many areas of the law, including social assistance, housing, human rights, immigration, health, privacy, employment, insurance and consumer law.

We are routinely approached by clients about consumer debt issues. In addition to providing summary legal advice on these issues, we also give public education workshops on this area of law and have produced a pamphlet on consumer debt, which is available on our website here: [http://www.halco.org/wp-content/uploads/2014/09/I\\_owe\\_money-HALCO-debt-guide.pdf](http://www.halco.org/wp-content/uploads/2014/09/I_owe_money-HALCO-debt-guide.pdf).

### **Submissions**

We have heard from many clients about payday loans. Many people living with HIV and other disabilities rely on social assistance or have low or unstable income from precarious employment situations that can result in financial

shortfalls. Access to payday loans can mean avoiding eviction, hunger or lapses in medication. However, the social good of access to credit is sorely diminished by the damage caused by the high cost of borrowing.

We urge you to recognize the reality that people who turn to payday loans are poor. This is evident by the proliferation of payday lender storefronts in low income neighbourhoods. People who take out payday loans are vulnerable, with less institutional, social or familial supports. Because loans are often used for recurring expenses, rather than one-time shortfalls, the cycle of debt only increases that vulnerability.

In the case of someone living HIV, this compounded poverty can compromise the immune system of the person living with the virus. We have seen how debt spirals impact on nutrition (increased reliance on food banks), housing stability and social engagement (lack of money for public transportation). This results in poor individual physical and mental health outcomes, more complex health care needs, and increased public health care spending.

Robust consumer regulation is important to protecting vulnerable Ontarians. Regulation of payday lenders ought to take into account the fact that Ontario has, in essence, allowed them to become poor people's banks. To date, payday lenders have been allowed to charge approximately ten times what banks charge for borrowing from a line of credit or credit card. We urge you to recognize the role that the cost of borrowing plays in the spiral of poverty and poor health outcomes. We urge you to move to decrease the cost of borrowing.

HALCO has reviewed the consultation report and our submissions are set out in bold below each question. We have focused our submissions on the issues that most directly relate to our clientele and stakeholders.

## General Questions

### **1. Which of the options do you prefer and why?**

The current cost of borrowing at \$21 per \$100 advanced is too high. According to the Financial Consumer Agency of Canada (FCAC), a \$300 two-week payday loan can carry a fee of \$63, compared with just \$5.81 for borrowing from a line of credit or \$7.42 for a cash advance on a credit card. We would like to see poor people access loans at rates closer than those with greater resources that can access bank services. Of the options, we would prefer the lowest. In the context of this consultation, that would mean a reduction from \$21 to \$15 per \$100 advanced.

### **4. Do you think reducing the cost of borrowing will influence how often people borrow or default on payday loans?**

We take no issue with how often people will borrow if they can afford to pay the cost of the loan. However, the lower the cost of borrowing, the less likely consumers, in general, will default.

We thank you for the opportunity to participate in this consultation. Please let me know if you require any further information from us.

Yours truly,  
**HIV & AIDS LEGAL CLINIC ONTARIO**  
per:

A handwritten signature in blue ink, appearing to read 'Amy Wah', is written over a faint circular stamp.

**Amy Wah**  
Staff Lawyer