
TO: CITY MANAGER **DATE:** 2015 June 17

FROM: DIRECTOR PLANNING AND BUILDING **FILE:** 2125 20
Reference: UBCM Resolutions

SUBJECT: 2015 UBCM RESOLUTION REGARDING PAYDAY LOAN REGULATIONS

PURPOSE: To present a resolution for submission to the 2015 Union of BC Municipalities (UBCM) Convention.

RECOMMENDATIONS:

1. **THAT** Council endorse the resolution outlined in Section 2.0 of this report for submission to the 2015 UBCM Convention.
2. **THAT** staff be authorized to forward a copy of this report, accompanied by any applicable background reports and information, to the UBCM at Suite 60, 10551 Shellbridge Way, Richmond, BC V6X 2W9.
3. **THAT** copies of this report be forwarded for information to Burnaby MLAs, MPs, and the Federation of Canadian Municipalities.

REPORT**1.0 INTRODUCTION**

Each year, resolutions are considered for submission to the Union of B.C. Municipalities (UBCM) Convention, which will take place from 2015 September 21 – 25, in Vancouver, BC. These resolutions are a means to request amendments to the *Community Charter, Local Government Act* and other Provincial or Federal legislation and policies to address issues of significance to local government.

On 2015 June 01, Council authorized staff to prepare a resolution to the 2015 UBCM Convention advocating increased regulation of payday loan services. This report presents the corresponding resolution.

The deadline for UBCM resolution submissions is 2015 June 30.

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2.0 RESOLUTION

Payday loan and similar services, including cheque cashing and installment loan services, offer alternative financial services in a quick service, retail storefront format. These businesses operate outside of the business and regulatory framework of traditional financial institutions, such as banks, credit unions, and trust and loan companies, and offer terms, fees, and rates of interest that generate relatively high returns on an unsecured basis. Studies have shown that the majority of payday loan users are lower income individuals that experience difficulty in meeting their financial obligations; concerns have been raised that these services contribute to a cycle of indebtedness among the financially vulnerable. A more detailed review of payday loan and similar services is available in the report adopted by Council on 2015 June 01.

The payday loan industry is regulated by Consumer Protection BC under the *Payday Loans Regulation of the Business Practices and Consumer Protection Act*. This regulation prohibits the following:

- a total charge for loans (including all interest and fees) that exceeds 23% of the principal (for a two-week loan period this equals an approximately 598% annual percentage rate);
- a loan term greater than 62 days;
- loans totaling more than 50% of a borrower's take-home pay;
- loans requiring repayment before the borrower's next payday; and
- issuance of more than one loan to a borrower at the same time.

The regulation also restricts lender access to the borrower's bank and employment records, and requires mandatory registration of all lenders with Consumer Protection BC.

Changes to this legislation could directly improve the terms upon which loans are offered and reduce the socio-economic impacts of payday loans on borrowers and their communities. More specifically, lowering the maximum fee percentage and interest rates and, perhaps more importantly, requiring payday lenders to offer repayment in installments, rather than one lump sum, would reduce the indebtedness of borrowers and improve their ability to repay loans without further borrowing. Similarly, extending the prohibition on the issuance of more than one loan in the same week, which currently applies only to the same lender, to include any lender would discourage serial borrowing and reduce the incidence and impacts of perpetual indebtedness.

As such, the following resolution has been developed for Council's consideration:

RESOLUTION: Strengthen Payday Loan Regulations

WHEREAS payday loan lending can place users in a negative cycle of continuing indebtedness;

AND WHEREAS local governments are concerned about the impacts of payday loan lending on residents and the economic vibrancy of our communities;

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THEREFORE BE IT RESOLVED that the Union of BC Municipalities call on the Provincial Government to amend the *Payday Loans Regulation* section of the *Business Practices and Consumer Protection Act*, to include lowering of the maximum fee percentage and interest rates as well as requiring payday lenders to offer installment-based repayment options.

AND BE IT FURTHER RESOLVED that the applicable legislation be amended to prohibit the issuing of more than one loan in the same week to the same applicant from any lender.

3.0 SUMMARY AND CONCLUSION

This report proposes a new resolution regarding payday loan regulations for submission to the 2015 UBCM Convention. It is recommended that Council endorse the resolution, as outlined in Section 2.0 of this report. It is also recommended that staff be authorized to forward a copy of this report, accompanied by supporting background reports and information, to the UBCM and the Federation of Canadian Municipalities (FCM). A separate report will be prepared to advance a resolution to the 2016 FCM Annual Conference prior to the 2016 January 25 deadline. Finally, it is recommended that a copy of this report be circulated to all Burnaby MLAs and MPs for information.


Lou Pelletier, Director
PLANNING AND BUILDING

LF:spf

cc: Deputy City Managers
Director Finance
City Solicitor
City Clerk