

**City Council****Notice of Motion**

MM24.15	ACTION			Ward:All
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**Payday Loan Act - Public Consultations - by Councillor Paul Ainslie, seconded by Councillor Frances Nunziata**

*\* Notice of this Motion has been given.*

*\* This Motion is subject to referral to the Licensing and Standards Committee. A two-thirds vote is required to waive referral.*

**Recommendations**

Councillor Paul Ainslie, seconded by Councillor Frances Nunziata, recommends that:

1. City Council direct the Executive Director, Municipal Licensing and Standards to host public consultations on payday loan businesses, review other jurisdictions' practices in regulating payday loan businesses, and to report findings to the Licensing and Standards Committee.
2. City Council provide comments to the Province of Ontario, before the provincial comment deadline of September 29, 2017, on the City's position and suggestions regarding the changes to the Payday Loan Act.

**Summary**

The Province of Ontario implemented changes to the Payday Loan Act which took effect on January 1, 2017, with an opportunity to introduce further reforms through a consultation period that ends on September 29, 2017.

The current regulatory reform reduces the costs of borrowing from \$21 to \$18 on every \$100 in payday loans. I believe that further reforms are needed and ask that the City of Toronto host public consultations to raise awareness and collect data to propose further changes if needed. The City of London is holding public consultations on January 24, 2017.

The issue of Payday lenders is a serious matter which has a very detrimental impact on the daily lives of a great number of residents across the City of Toronto and Ontario. My focus of concern is how borrowers who utilize these businesses are protected from being abused financially as it has been brought to my attention that if loan repayments are missed, even by a fraction of a day or hours a lender can trigger an overdraft fee which results in the borrower being charged 400 percent interest or more.

Problems occur within this process when the borrower does not have sufficient funds to pay

back the lender within or by the given payment period time. This results in the borrower placing another loan to pay back the previous loan, thus a cycle forms. The high cost in borrowing fees and the short repayment periods are the real issue which negatively impact Ontarians.

As the City Councillor for Ward 43- Scarborough East, I have community residents who are being directly affected. A number of payday lenders establishments are opening in low-income neighborhoods targeting those who are most susceptible to the payday loan cycle.

The Province of Quebec limits annual interest rates for all lenders to 35 percent annually which has significantly limited payday lending business from expanding. In the United States, New York and New Jersey have implemented severe restrictions and Georgia has banned payday lending, making it a violation of anti-racketeering laws.

The City of Toronto has been doing its best to assist vulnerable residents. The Province of Ontario needs to implement tough regulations to protect against residents from the detrimental payday loan cycle.

### **Background Information (City Council)**

Member Motion MM24.15