

## City Council

### Notice of Motion

MM22.15	ACTION			Ward: All
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### **Predatory Lending - by Councillor Paula Fletcher, seconded by Councillor Joe Cressy**

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

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

### **Recommendations**

Councillor Paula Fletcher, seconded by Councillor Joe Cressy, recommends that:

1. City Council request the Executive Director, Municipal Licensing and Standards to report to the September 14, 2020 meeting of the General Government and Licensing Committee on any and all steps taken to respond to City Council's October 2019 decision on Item GL7.15, Update on the City of Toronto Municipal Code Chapter 545, Licensing of Payday Loan Establishments, with respect to the following:

- a. options to restrict advertising from payday loan establishments in the City of Toronto;
- b. the feasibility of creating a minimum separation distance between payday loan establishments and between payday loan establishments and schools; and
- c. the feasibility of establishing a process for the local Councillor to object to the relocation of a payday loan establishment within the same Ward.

2. City Council request the Executive Director, Social Development, Finance and Administration, in consultation with the General Manager, Economic Development and Culture, the General Manager, Toronto Employment and Social Services, and the Executive Director, Municipal Licensing and Standards, to report back on their discussions with the financial services industry, including credit unions and the not-for-profit sector, on improving access to relevant financial products and services such as access to cash for Toronto residents, as directed by City Council in Item GL7.15, Update on the City of Toronto Municipal Code Chapter 545, Licensing of Payday Loan Establishments to the July 21, 2020 meeting of the Executive Committee.

3. City Council request the City Manager and the Chief Recovery and Rebuild Officer to include all requests made of the Provincial and Federal governments by City Council as a part of Item GL7.15, Update on the City of Toronto Municipal Code Chapter 545, Licensing of Payday Loan Establishments in their discussions with those governments and to highlight this

issue at all of the Toronto Office of Recovery and Rebuild's Outreach, Engagement and Research Table including but not limited to the Business Sector Financial Table; and to report back on all of City Council's requests on this issue to the September 23, 2020 meeting of the Executive Committee.

## **Summary**

Out of a concern for the very detrimental impact on the daily lives of a great number of residents, City Council has taken a number of steps to both regulate payday loan vendors (including installment lenders, title lenders, cash-for-gold, cheque-cashing operations) and attempt to ensure Torontonians have access to fair and feasible lines of credit.

Typically this form of credit is used by the working poor because they do not have access to traditional banking services and have very limited financial options. A 2016 ACORN study of payday loan users found that 30 percent spend payday loans on food, 17 percent on housing, 16 percent on bills, 5 percent on “bank issues,” and 5 percent on medical-related expenses.

At its October 2, 2019 meeting, City Council voted to request the Province of Ontario to limit the annual interest rates for all payday loans to 30 percent annually and make several related requests of the Federal Government.

The measures requested by City Council will not eliminate this industry but make it fairer. Currently, the effective interest rate on payday loans in Ontario is as high as 390 percent.

Quebec capped payday loan rates at 35 percent. Toronto has roughly the same number of payday loan shops as it does Tim Hortons locations. As well, an ever increasing amount of the payday loan business is being done online making them even more profitable.

The current economic crisis brought on by the COVID-19 pandemic has only exacerbated this problem. The Canadian Centre for Policy Alternatives produced a report in March 2020 that notes, "46 percent of working tenant households have less than one month of employment incomes savings." Many Torontonians are at risk of getting trapped in a debit spiral and the dire of consequence of that including homelessness. All three levels of government must take urgent action to address this situation as part of their response to COVID-19 and chartering our economic recovery from this crisis.

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

Member Motion MM22.15