Toronto ACORN

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January 8, 2022

Dear Councilors on the Planning and Housing Committee,

ACORN is pleased to see the City continuing the important discussion on predatory lenders in Toronto but we are concerned with some of the points being brought up in this report.

Below are our responses to two points brought up in this report by City staff:

1. **The principal activity of a payday loan establishment is to provide financial services to the public, which is the same as the principal activity of a bank or credit union.**

   Grouping payday lenders with banks and credit unions is harmful. Many low income families are denied access to basic credit by mainstream banking, forcing them to rely on high-interest lenders charging predatory rates. Loan users are caught in a vicious cycle of debt due to the type of business model on which these loans operate.

2. **Minimum separation distances and caps on the maximum number of establishments in a given area have been previously used in zoning for a wide range of uses. These types of regulations are often arbitrary and difficult to support with solid planning rationale.**

   Cities like Ottawa and Hamilton have both implemented minimum distance separation, Toronto can do the same. In neighbourhoods like Weston and Jane / Finch, payday and installment lenders cluster together. The more frequently residents see these businesses, the more likely they are to consider accessing the high compounding interest loans. We believe this is not about planning rationale, it's about equity, human rights, and fair banking. The City should support alternative loan options such as working with credit unions to support the creation of short term, low interest loans like Vancity in Vancouver, BC.

Toronto ACORN members were pleased to see the creation of the Poverty Reduction Strategy 2019-2022 Action Plan to look into alternative loans but it's now 2022 and we still do not have one in place.

With another year of the pandemic, low income families are struggling financially more than ever before.

Below are ACORN's demands that we believe are doable:

1) Report back on licensing bylaw for installment lenders ASAP. The 20% reduction in payday loan establishments is great, but the industry continues to reshape and traditional payday lenders are now offering installment loans and/or online loans. Our report shows this is the new predatory lender.

2) Separate zoning classification for payday and installment lenders.

3) Minimum distance separation and cap on licenses for payday and installment lenders - we shouldn't put "planning rationale" ahead of equity. Predatory lenders cluster in Scarborough, Weston, Jane and Finch for a reason. Banks are leaving our neighbourhoods and are being replaced by these lenders.

4) Speed up the loan alternative - it's 2022 and with another year of the pandemic, people will be using these predatory lenders more than ever. **In our report, we found a 300% increase of people taking out installment loans.**

ACORN's full report is available here and also attached to the committee agenda as a separate item: https://acorncanada.org/resource/national-report-high-interest-loans

We hope the City of Toronto continues to do everything possible to limit the clustering effect of these harmful establishments in our neighbourhoods.

Sincerely,

Donna Borden
East York ACORN