

Pay Day Loans



Payday loans are a form of high-cost credit. It is an advance of \$1500 or less for a term of 62 days or less. The payday lender gives you the money in exchange for a post-dated cheque, pre-authorized debit or future payment of a similar nature.

Alberta's *Consumer Protection Act* sets out laws for payday loans. The Act says how much a payday lender can advance, what fees payday lenders can charge, and what lenders can and cannot do. Payday lenders must hold licenses from the Government of Alberta.



The payday lender must give you a copy of the payday loan agreement and the cancellation notice when you sign the agreement.

Fees

The **maximum fee** that a payday lender can charge is \$15 per \$100 borrowed. For example, if you borrow \$500, you will owe a maximum of \$575 which must be paid back within 62 days. The fee must include all fees for mandatory and optional services the payday lender provides.

Payday lenders cannot:

- collect fees or charges before the first instalment payment
- charge fees above those in the agreement
- charge a fee for cashing a payday loan cheque issued by the payday lender

Repayment

The payday loan agreement must allow you to repay the loan through an instalment plan. The installment plan must be for a period of at least 42 days and no more than 62 days.

Instalment payments are due on each payday during the term of the agreement. If you are paid twice a month or every two weeks, or more often, instalment payments must be spread over at least three pay periods. If you are paid less often, instalment payments must be spread over at least two pay periods.

The payday lender must acknowledge receipt of each instalment payment. If you agree, this can be by email.

You can repay all or part of the loan at any time without any prepayment charges or penalties.

If you do not pay the payday loan in time, payday lenders can charge you a penalty:

- interest at a rate of 2.5% each month
- a one-time fee for each bounced cheque or pre-authorized debit that does not clear the bank

These charges are in addition to the maximum fee that a payday lender can charge.

Payday lenders can also:

- turn your account over to a collection agency
- sue you in court for the amount owed plus interest and any related court fees

Cancellation Period

The law gives you a two-business day 'cooling off' period. During this period, you can cancel the loan and return the money without paying any fees or penalties. The payday lender cannot charge you a fee for cancelling a loan during this period.

To cancel a payday loan during the cooling off period, you must:

- return all the money given to you
- give written notice to the payday lender. You can do this by completing and giving the cancellation notice provided with your loan agreement or by giving a signed, written notice that you wish to cancel the agreement.

The payday lender must acknowledge receipt of the loan cancellation.

Payday lenders cannot offer you another payday loan while you have one outstanding.

Lender Practices

Payday lenders **can**:


- contact you between 7am and 10pm
- contact your employer to confirm your employment status or the date of your next pay
- contact you at work to discuss the debt, unless you have asked them not to and have given them another way to contact you
- contact your spouse, adult interdependent partner, relative, neighbour or friend to confirm your contact information

Payday lenders **cannot**:

- attempt to process an instalment payment before the day it is due
- make withdrawals from your account without your express consent
- fail to include their name (as shown on their licence) when contacting you
- talk about your payday loan with anyone else unless you give them permission
- contact you or anyone else about the payday loan in a way that could be **harassment**
- give you or anyone else false or misleading information, including references to the police, a law firm, credit history, court proceedings or a **lien** or **garnishment**
- publish or threaten to publish notice of your failure to pay
- actively ask for your business through direct contact by mail, phone, fax, email or social media

A **lien** is a claim against a debtor's property until the debtor repays a debt.

Garnishment is a legal process that allows a creditor to seize money directly from you, your bank or employer. For example, a creditor may garnish your wages or money in your bank account.



Harassment can be behaviours such as:

- **threats**
- **profane language**
- **unreasonable pressure**
- **excessive emails or phone calls**

Payday lenders must display and provide you with financial literacy information.

Questions or Concerns?

If you think a payday lender is not following the law or is harassing you, you can file a complaint with Service Alberta's **Consumer Investigations Unit**. The unit can investigate your concerns. If Service Alberta finds the payday lender has broken the law, it can issue fines or orders against the payday lender. You still have to repay the loan, but sometimes you will not have to pay charges or interest.



For more information about the complaint process, **contact Service Alberta** at 1.877.427.4088 or visit <https://www.alberta.ca/file-consumer-complaint.aspx>

Get More Help

Visit the **Government of Alberta** website for more information about debt and debt repayment options: <https://www.alberta.ca/information-collection-agencies-debt-repayment.aspx>

Money Mentors is a non-profit agency based in Alberta that offers credit counselling, debt consolidation and financial education. It offers the Orderly Payment of Debts (OPD) program. The OPD program is a debt consolidation program created under Canada's *Bankruptcy & Insolvency Act* and monitored by the Province of Alberta.

For more information, call 1.888.294.0076 or visit www.moneymentors.ca

You should not rely on this publication for legal advice.