Better Financial Protections for Vulnerable Consumers
Ontario Lowering Rates for Payday Loans and Other Services

NEWS
December 19, 2017

Ontario is protecting vulnerable consumers by reducing the cost of borrowing and other fees for alternative financial services such as payday loans.

Beginning on January 1, 2018:

- The cap on the cost of borrowing for payday loans will be reduced to $15 per $100 borrowed from the current level of $18.
- Ontario municipalities will be allowed to restrict the areas in which payday loan shops open and the number that can operate in a given area.

Additional protections for consumers will come into effect on July 1, 2018, including:

- The maximum fees for cashing government-issued cheques will be capped at $2 plus 1 per cent of the face value of the cheque, or $10; whichever is less. There is currently no cap on cheque-cashing fees.
- Lenders will only be able to lend up to 50 per cent of a borrower’s net pay and would have to give payday loan borrowers the option of an extended payment plan if they take out three or more loans in a 63 day period.

Protecting consumers is part of Ontario’s plan to create fairness and opportunity during this period of rapid economic change. The plan includes a higher minimum wage and better working conditions, free tuition for hundreds of thousands of students, easier access to affordable child care, and free prescription drugs for everyone under 25 through the biggest expansion of medicare in a generation.

QUOTE

“This is another step that the government has taken to help protect Ontario consumers. We also know this is an important issue in cities like Ottawa, so in addition to new province-wide rules, we’re happy to give municipalities new tools to reflect local priorities.”

Ottawa–Vanier MPP Nathalie Des Rosiers on behalf of Government and Consumer Services Minister Tracy MacCharles

“Unfortunately, many of these organizations’ customers are some of the most financially vulnerable. We’re trying to better educate people so they don’t actually need these very high-cost services. But for those who still need them, there’s no question that the government’s changes will help.”

Gerald Cossette, President of the Board of Directors, EBO Financial Education Centre

QUICK FACTS
- 2018 will be the second consecutive year that the government has lowered the maximum cost of borrowing for a payday loan. In 2016 it was $21 per $100 borrowed. It is currently $18 per $100 borrowed until the end of 2017.
Payday loan and cheque cashing operations offer services outside mainstream banks and credit unions, with fees that are typically much higher. For example the cost of borrowing on a $300 payday loan is currently capped at $54 over a two week period. By comparison, a typical credit card with a 23 per cent annual interest rate and $3.50 service fee would cost $6.15 over the same period.

- Payday loans typically have to be repaid two weeks after borrowing the money.
- All payday lenders are required to post information in their stores that shows the total cost of borrowing of payday loans compared to lines of credit and credit cards.

**LEARN MORE**
- Read more about your consumer rights at [ontario.ca/PaydayLoans](http://ontario.ca/PaydayLoans).

Andrew Lang, Minister's Office, 416-212-3721
Aleks Dhefto, Communications Branch, 416-629-0870