



This publication is intended to provide general information only and is not a substitute for legal advice.

Payday Lending

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What is a payday loan? A payday loan is a loan of \$1,500 or less. The term of the loan cannot exceed 62 days. The maximum fee a payday lender can charge is \$23 per \$100. This includes all mandatory fees and charges related to the loan.

ABOUT THE REGULATION

The *Payday Loans Regulation* applies to every payday lender who offers, arranges, or provides a payday loan to a borrower in Alberta. The regulation applies whether the payday lender operates from a business location or on the Internet. All payday lenders must have a Payday Loan licence.

You can check to see if a payday lender is licensed. Go to the Service Alberta website at www.servicealberta.ca and look under the Quick Links heading for “Search for a Licensed Business.” You can also call the Consumer Contact Centre at 780-427-4088 (Edmonton) or toll free in Alberta 1-877-427-4088.

Every payday loan business is required to post a security document when applying for a licence from Service Alberta.

Agreements signed before September 1, 2009 are not covered by this regulation.

“COOLING OFF PERIOD”

The *Payday Loans Regulation* gives borrowers a two-day “cooling off period” after signing a loan agreement. During this time you may cancel the loan and return the money without paying any additional fees. If the payday lender is not open for business on the second day, you may cancel the loan on the next business day.

REPAYING THE LOAN

You may repay the full amount of the loan at any time. The payday lender may not charge you any penalty fees for repaying your loan before it is due.



CONSUMER TIPSHEET

HOW TO CANCEL A LOAN

When you enter into the agreement, the lender must also give you a cancellation notice form. If you wish to cancel your loan, you must complete the form and return it to the lender, along with the money. You must cancel the loan within the “cooling off period”—two business days from the time you receive a copy of the agreement. You may also cancel the loan by writing a letter to the lender stating that you wish to cancel the agreement. You must sign the letter and return it to the lender, along with the money, within two business days of receiving a copy of the agreement.

Once the lender receives the cancellation notice from you, the lender must give you a receipt. The receipt means that the lender accepts your cancellation of the loan.

The lender may not charge a fee for cancelling a loan during this time.

Extended cancellation rights

You may not have to pay the fees related to your loan if:

- the lender tried to collect a debt in a way that does not follow the rules set out by the *Payday Loans Regulation*;
- *the lender charged a rate higher than the maximum rate set of \$23 per \$100*;
- the lender did not have the required signs posted at their place of business or online at the time you entered into the agreement.

RULES OF CONDUCT

Payday lenders must follow certain rules of conduct that are set out in the regulation.

Payday lenders must not:

- discount the principal amount of a loan;
- grant rollover loans;
- require a loan to be due less than one full banking day after you receive your pay or other income;
- charge any other fee for the loan other than those referred to in the loan agreement;
- make unauthorized withdrawals from your account;
- accept a cheque from you that is not made out to the payday lender;
- take information from you that would give the payday lender direct access to your bank account, unless it is to be used for pre-authorized repayment of your loan;
- charge more than \$25 on a dishonoured cheque or pre-authorized debit.

The loan agreement

A payday loan agreement must be written in clear, plain language. The lender must give you a copy of the agreement when you sign it. The lender must then give you a copy of the cancellation notice.

Sign requirements

All payday lenders must display information on signs that borrowers can see as they enter the storefront. If the lender uses a website, the notice must be on the website just before the payday loan application. This is not required until Service Alberta receives federal approval for the maximum rate.

All payday lenders must keep any records relating to payday lending for a minimum of three years after the loan has been fully repaid.

The sign must include the following:

- the words “Maximum charges permitted in Alberta for a payday loan: \$23 per \$100 lent”;
- the words “We charge _____”, representing the payday lender’s total charges for a payday loan;
- the words “For a \$300 loan for 14 days: Total cost of borrowing = _____”, representing the payday lender’s total charges for a \$300 loan for 14 days;
- the words “Annual Percentage Rate = _____” representing the annual percentage rate charged by the payday lender for a \$300 loan for 14 days;
- the words “This information meets the requirements of the Payday Loans Regulation under the Fair Trading Act”; and,
- the payday lenders licence number.

Collection practices

As a borrower, if you do not repay your loan, payday lenders are allowed to call you to collect what is owed. The regulation has rules that payday lenders must follow when collecting these loans.

A payday lender **may**:

- contact you between 7 a.m. and 10 p.m. Alberta time;
- contact your spouse or adult interdependent partner, relative, neighbour, friend or acquaintance to confirm your residential address, telephone number or employment telephone number;
- contact your employer to confirm your employment status, business title and the address of the business or the date of the next payday;
- contact you at work to discuss your debt unless you ask them not to. If you do not want to be contacted at work, you must arrange for the lender to contact you elsewhere and you must keep the arrangement.

Payday lenders **may not**:

- make unauthorized withdrawals from your account;
- use threatening, profane, intimidating or forceful language;
- discuss your debt or the existence of your debt with any person except you, a guarantor of the debt, or someone you have identified in writing as your representative. The payday lender may contact another person in regards to your debt if you choose, but you must give your express consent and provide that person’s current address and telephone number;
- call you or members of your household, relatives, friends, neighbours or your employer so often that the number of calls received could be considered harassment;
- threaten or state an intention to proceed with any legal action where the lender does not have the legal authority and consent to do so;
- give any misleading or false information;
- enter into or arrange wage assignments with you or your employer;
- publish or threaten to publish your failure to pay.

*Please see the **Payday Loans Regulation** or contact Service Alberta for a full list of prohibited practices.*

Record keeping

All payday lenders must keep any records relating to payday lending for a minimum of three years after the loan has been fully repaid.

CONSUMER TIPSHEET

CASH CARDS

A payday lender may offer you the option of a cash card so that you may access your loan immediately. If you wish to cancel your loan within the two day cooling off period, you must return the cash card along with any money that you withdrew from it.

If there is money left on the card at the end of your loan period, you are entitled to receive the balance left on the card. If the balance on the card is less than \$25, the payday lender must pay you the balance in cash. If you have repaid the loan in full and have returned the cash card, the payday lender must pay you whatever balance is left on the card in cash. You need to ask the payday lender if you want to do this.

IF YOU CAN'T PAY BACK YOUR PAYDAY LOAN

If you are having problems paying back your payday loan, contact the lender as soon as possible. Payday lenders have the right to sue you for the amount owed, plus interest and any related court fees. They may also turn your account over to a collection agency. Collection agencies can file a writ against you that may result in the seizure of property, and / or garnishment of wages, bank accounts, or accounts receivable. Try to make arrangements with them before any of these things happen.

WHERE CAN I GET A COPY OF THE REGULATION?

The *Payday Loans Regulation* and the *Fair Trading Act* are posted on Service Alberta's website www.servicealberta.ca.

Queen's Printer Bookstore

You may purchase the Act and regulation from the Queen's Printer Bookstore:

10611 - 98 Avenue, Edmonton, Alberta T5K 2P7
Edmonton: 780-427-4952

Toll-free in Alberta: Dial 310-0000 then 780-427-4952

These are also free for you to download in the "pdf" or "html" formats at www.qp.alberta.ca

FOR MORE INFORMATION

Consumer Contact Centre

Edmonton: (780) 427-4088

Toll-free in Alberta: 1-877-427-4088

Tipsheets

You may find these tipsheets contain useful information:

- *What Creditors Can Do if You Can't Pay*
- *Bill Collection and Debt Repayment*
- *Filing a Complaint with Consumer Services*

For more information on debt repayment options contact:

Money Mentors

Toll-free in Alberta: 1-888-294-0076

www.moneymentors.ca

A current version of this and other consumer tipsheets are available at the Service Alberta website www.servicealberta.ca. Most public libraries have Internet access if you don't have access at home.

If you need more copies of this tipsheet, you have permission to photocopy.