

# CONSULTATION PAPER

Proposed Amendments To *The  
Payday Loans Regulations*  
January 11, 2017

Response Due By: February 13, 2017



[fcaa.gov.sk.ca](http://fcaa.gov.sk.ca)

The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) and the Saskatchewan Ministry of Justice (Justice) intend to propose amendments to *The Payday Loans Regulations* (Regulations) in the near future. The purpose of this letter is to seek your input and comments regarding the proposals.

### **Proposals**

1. **Total cost of borrowing:** the Regulations currently allow payday lenders to charge a maximum of 23% of the principal amount of the loan. This amount reflected the maximum rates that were permitted in Alberta and British Columbia at the time that the Regulations were passed.

Saskatchewan is now proposing a maximum rate of 15% of the principal amount of the loan. This maximum rate acknowledges the new maximum rates of 15% in Alberta and 17% in British Columbia, along with the fact that Manitoba's maximum rate has been 17% for many years. Ontario recently changed its maximum allowed rate to 18%, and has announced a 15% maximum rate for January 1, 2018. New Brunswick's developed but not yet implemented legislation also sets out a 15% maximum rate.

2. **Fee for a dishonoured cheque or a dishonoured pre-authorized debit:** the Regulations currently allow payday lenders a charge of up to \$50 if a cheque or pre-authorized debit from a borrower is dishonoured. The Regulations allow this fee to only be charged once per loan.

Saskatchewan is now proposing that this fee be reduced to a maximum of \$25, while continuing the restriction that it can only be charged once per loan. In setting the fee at \$25, Saskatchewan will be in alignment with the provinces mentioned above. It is recognized that while financial institutions typically charge consumers a fee in the range of \$40-\$50 for a dishonoured item, business accounts incur a significantly lower fee for returned items.

3. **Maximum percentage of net pay:** the Regulations currently allow payday lenders to extend a loan for up to 50% of a borrower's net pay, to a maximum of \$1,500 for any loan.

Recognizing that payday loans are typically due on the borrower's next payday, Saskatchewan is proposing to reduce the maximum loan size to 30% of a borrower's net pay while maintaining the maximum loan size of \$1,500. The current restriction

that a payday lender cannot lend to a borrower that has an outstanding loan will be maintained. Manitoba has had a maximum loan size of 30% of net pay for many years, and New Brunswick has also announced an intention of setting the limit at 30%. It is recognized that borrowers can still access payday loans from multiple lenders; however, by decreasing loan size and the associated costs there is less chance of borrowers becoming overextended.

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Please note that if these amendments are passed, it is intended that lenders will be given sufficient notice to allow changes to be made in their systems and notices.

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Please provide your comments by February 13, 2017 by emailing [MaryEllen.Wellsch@gov.sk.ca](mailto:MaryEllen.Wellsch@gov.sk.ca) or [Cory.Peters@gov.sk.ca](mailto:Cory.Peters@gov.sk.ca). Alternatively, comments can be mailed or faxed to:

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Thank you for your contributions.

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