

PAYDAY LOANS

This fact sheet talks about your rights if you get a payday loan in Nova Scotia

LEGAL INFOⁱ
NOVA SCOTIA

Payday loans

Payday loans are *short-term, high risk and high interest loans*. There are other, far less expensive ways to borrow money, so consider your options carefully before borrowing from a payday lender.

Speak with a credit counsellor about other, lower cost ways to borrow money, such as a loan from a line of credit or a cash advance on your credit card. The Financial Consumer Agency of Canada (<https://www.canada.ca/en/financial-consumer-agency.html>) has information about good alternatives to payday loans, finding a reputable credit counsellor, and a Financial Toolkit to help you manage your finances.



What is a payday loan?

A payday loan is a loan of \$1500 or less. The average payday loan in Nova Scotia is for about \$430. The money is borrowed for short periods, from a few days to a few weeks. The loan term cannot be more than 62 days. Privately-owned companies offer payday loans in stores and online.

To get a payday loan you usually give the lender:

- a cheque to cover the loan plus fees, postdated to your next payday; or,
- permission to take the total amount owing out of your bank account on your next payday (this is called pre-authorized debit).

How much can a lender charge for a payday loan?

In Nova Scotia the most a payday lender can charge is \$19 for every \$100 you borrow, **as long as you pay the loan back on time**. This is called the maximum **Total Cost of Borrowing**. Your total cost of borrowing is the total amount the loan will cost you, *if you repay the loan on time*.

The cost of borrowing includes:

- interest
- administration fees
- commissions
- cheque cashing fees
- pre-authorized debit fees
- fees for issuing or loading a cash card
- cash card transaction fees
- agent or broker fees

Whether they are called fees, commission, interest or something else, it all adds up to the total amount that the loan will cost you.

The maximum cost of borrowing cannot be more than \$19 for every \$100 you borrow. For example, if you borrow \$300, a payday lender cannot charge you more than \$57 as the total cost of borrowing. In this example the most you would be required to repay is \$357, **if you repay the loan on time**. If you do not repay the loan on time, you will be charged interest on the amount you still owe. The interest rate will be the amount specified in your loan agreement for default, up to a maximum of 60%. In addition, you may be charged a default penalty of up to \$40.

Payday lenders must have a poster in their store, or online, giving an example of the total cost of borrowing, like the table below:

PAYDAY LOANS ARE HIGH COST LOANS

| | |
|--------------------------------|--------------------------------|
| Example: | \$300 loan for 14 days |
| Principal amount: | \$300 |
| Total Cost of borrowing: | \$57 |
| Total to repay: | \$300 plus \$57 = \$357 |
| Annual Percentage Rate: | APR = 495.36% |

Who licenses payday lenders?

Payday lenders are regulated and licensed by Service Nova Scotia to offer, arrange or give payday loans in Nova Scotia. Lenders must follow the rules in the Consumer Protection Act and regulations in order to get, keep or renew a license. Licenses must be renewed every year. Internet payday lenders are also regulated in Nova Scotia, and must have a permit from Service Nova Scotia to arrange or provide payday loans online in Nova Scotia.

In certain situations Service Nova Scotia may refuse to give or renew a license, or may suspend or cancel a license.

Call **Service Nova Scotia** at **1 800-670-4357** or **902-424-5200**, or check the Nova Scotia government's online list of licensed payday lenders, to find out whether a particular payday lender is licensed to operate here.

Information the lender must give you

A payday lender must give you the following information:

- the lender's contact information
- contact information for Service Nova Scotia
- the date the loan is made
- the total amount of money you are borrowing
- the total amount you must repay, and when it is due
- if you are paying by instalments, the amount of and due dates of each payment
- details of any fees, charges, commissions, interest, penalties for the loan
- your total cost of borrowing, including interest and other fees
- the maximum cost of borrowing allowed (\$19 per \$100)
- the annual percentage rate ('APR')
- the interest payable as a percentage rate
- charges you would have to pay if the loan is not repaid by the due date, including the maximum charge allowed (\$40 per loan, maximum interest on outstanding balance is 60%)
- any interest payable for extending or renewing the loan
- your rights if the payday lender charges more than they are allowed to charge
- how to cancel your payday loan, including the form to use to cancel
- a copy of your loan agreement.

The information must be clear, easy to understand, and in writing.

You and the lender must both sign your loan agreement. Read it carefully before you sign.

If you get a cash card the lender must give you the card terms and conditions in writing, including the amount of credit on the cash card, and any card expiry date or extra charges for using the card at a place other than the payday lender.

Payday loan cooling-off period

A cooling off period is an automatic cancellation period, where you may reconsider your decision and cancel the contract, for any reason you like, without penalty.

Storefront location payday loan:

There is a one day cooling-off period after signing a payday loan agreement. You may cancel a payday loan at any time before the end of business on the day after you get the money or could access the money. This means the next business day. For example, if you get the money on a Friday and the business is closed until Monday, you would have until the end of business on Monday to cancel the loan.

Online payday loan:

You may cancel an online payday loan within 48 hours after you get or could access the money.

There is no penalty for cancelling a payday loan within the cooling-off period, and you do not have to give a reason for cancelling.

Cancelling a payday loan

You may cancel the loan during the cooling-off period, without giving a reason and without penalty.

You may also cancel at any time if:

- you were not told about your cancellation rights
- you were not given all of the information the lender is required to give you (see 'Information the lender must give you').

You must cancel the loan in writing, and repay any money owing. The lender should have given you a form to use to cancel. You may use that form to cancel the loan, or give your own written notice to the lender saying you are cancelling the loan. It is best to deliver it in person, and keep a copy for your records.

A payday lender cannot charge a cancellation fee.

Once you cancel the loan in writing and repay any money owing, or return an unused cheque or cash card, the payday lender must give you a receipt to confirm that the loan has been cancelled.

If you agreed to buy insurance on the loan, and the lender paid the premium, you will also need to pay the pro-rated amount of the insurance premium.

Early repayment

You can repay the full amount of the loan at any time before it is due.

A payday lender is not allowed to charge a fee or penalty for early repayment. If a payday lender charges you a fee for early repayment, you are entitled to have that fee refunded. Contact *Service Nova Scotia* if you were charged a fee or penalty for early repayment.

Extending or renewing a payday loan

If you have not paid back everything you owe by the due date, you and the payday lender can make a deal to extend or renew the loan, as long as you are only charged interest. A payday lender can charge interest on an extended or renewed loan, but cannot add other fees or charges.

Other things a payday lender cannot do

A lender cannot:

- require you to buy insurance in order to get a loan
- require security for a payday loan (for example, make you sign an agreement that says they can take your car if you can't repay the loan)
- require undated or post-dated cheques for more than you would owe on the due date for repayment, including interest and fees
- give you a new payday loan if you already owe money to them
- set the due date for repayment before your next pay day
- charge a penalty or fee if you repay the loan early. You have a right to a refund if you are charged extra for early repayment
- require a wage or other income assignment (for example, make you sign an agreement that says your employer can deduct money from your pay and give it to the lender if you can't repay the loan)
- grant rollovers. A rollover is a second payday loan to pay out an original payday loan which you can't pay, or an extension or renewal of your payday loan that adds extra fees or charges, other than interest. Extensions or renewals that only charge interest are allowed.

Contact *Service Nova Scotia* for more information or to make a complaint.

What happens if I don't pay back the loan when it is due?

If you cannot pay back the loan when it is due you are in default.

If you pay late, payday lenders can charge you:
up to **60% interest** (annual interest rate) and up to **\$40 late payment penalty**

If you don't pay back the loan when it is due:

- you will be charged interest on the amount you still owe, including the fees, and this interest will continue to build up. The interest rate will be the amount specified in your loan agreement for default, up to a maximum of 60%.
- in addition to the interest, you may be charged a default penalty (fee) of up to \$40
- the payday lender could sell the loan to a collection agency
- the debt could appear on your credit report
- the payday lender could sue you for the debt
- the payday lender could seize your property, if they successfully sue you
- the payday lender could take money from your paycheques (also called garnishing your wages), if they successfully sue you

A payday lender has the right to sue you for the amount you owe, plus interest and any court fees. You should try to speak to a lawyer if you are being sued. It is also a good idea to get some money management help from a credit counsellor or licensed insolvency trustee.

The payday lender must follow the rules in the *Consumer Protection Act* and *Consumer Creditors' Conduct Act* when trying to collect money from you.

A payday lender cannot:

- Make collect calls to you
- Contact you if you have written telling them to contact your lawyer
- Use documents, notices or letters which are made to look like court forms
- Pretend to represent the police or sheriff
- Threaten you or use abusive or intimidating language
- Harass you or your family, for example, by calling every 15 minutes
- Try to collect the debt on a Sunday or any day before 8:00 am or after 9:00 pm
- Give misleading or false information to anyone about you, including your employer
- Threaten or try to make things difficult for you at work, or at any of your family members' workplaces
- Ask you for or require you to enter into a wage assignment, or an assignment of any other kind of income. A wage assignment is a deduction from your paycheque, with the money deducted going directly to the lender.

Where to get more information

- If you have questions or a complaint about a payday lender, contact Service Nova Scotia. Service Nova Scotia also offers a free Debt Assistance Program.
Phone: (902) 424-5200 or 1 800 670-4357 (toll free)
Website: Service Nova Scotia at <https://beta.novascotia.ca/payday-loans-your-rights>
- Nova Scotia Utility and Review Board decisions about payday loans: www.uarb.novascotia.ca
- Consumer Protection Act (<https://nslegislature.ca/legislative-business/bills-statutes>) and payday lender regulations (<https://nslegislature.ca/legislative-business/bills-statutes>)
- The Financial Consumer Agency of Canada has general information about Payday Loans and financial management help at <https://www.canada.ca/en/financial-consumer-agency/services/loans/payday-loans.html> and <https://www.canada.ca/en/financial-consumer-agency.html>
- A financial advisor, credit counsellor, or a licensed insolvency trustee.
- The Office of the Superintendent of Bankruptcy has information about options you can trust to help you with your debt: <https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/home>



This publication explains the law in a general way as it applies in Nova Scotia, Canada. The information is not intended as legal advice. If you have a legal problem, contact a lawyer for advice about what steps you should take in your situation.

We thank the Law Foundation of Nova Scotia, the Department of Justice Canada, and the Nova Scotia Department of Justice for providing core funding for our services, which makes publications like this possible. We thank the Department of Justice Canada for project funding to support this fact sheet.