ORDERS OF THE DAY

PAYDAY LOANS ACT, 2008 / LOI DE 2008 CONCERNANT LES PRÊTS SUR SALAIRE

Mr. Duguid, on behalf of Mr. McMeekin, moved second reading of the following bill:

Bill 48, An Act to regulate payday loans and to make consequential amendments to other Acts / Projet de loi 48, Loi visant à réglementer les prêts sur salaire et à apporter des modifications corrélatives à d'autres lois.

Mr. Charles Sousa:
It's an honour to have this opportunity to discuss the merits of the proposed Payday Loans Act, 2008, an important piece of legislation introduced in this House by Minister Ted McMeekin on March 31, 2008. I wish to acknowledge and provide our best wishes to Minister McMeekin, who is recovering well-I'm please to say very well-from cancer surgery. At the time of the introduction, the member spoke plainly and passionately about the need to establish a regulatory framework for the payday lending industry.

It is part of the government's ongoing commitment to protect Ontario consumers and families. The fact is, if this legislation is passed, it will be the most comprehensive of its kind in Canada, and will produce a fair and balanced approach to regulating the industry in Ontario. It would protect thousands of Ontarians from all walks of life, who rely on payday loans from time to time to help them through a short-term financial squeeze.

Furthermore, Mr. Speaker, you will recall that in the 2007 throne speech, the government made a commitment to begin tackling the substantial challenge of poverty in Ontario. So it is widely expected that a well-considered legislative framework for payday lending that includes limits on the total cost of borrowing would also benefit economically disadvantaged Ontarians who use these loans for emergencies or other purposes. The proposed Payday Loans Act, 2008, is indeed an integral part of this government's intent to undertake the hard process of addressing the sources of sustained poverty in Ontario.

Cyclical debt is one of those sources, and we need to address it as we continue to seek better ways to protect many of our more vulnerable consumers. There's a priority for us to give all Ontarians a solid understanding of the risks and responsibilities that come with being a consumer. It is a priority for us to give Ontarians the very best consumer information, and we want to make it available to them. It is a priority for us to provide security and confidence in Ontario's increasingly complex marketplace.

This bill would not only address increased public confidence in the integrity of the payday lending industry; it would also further our overall investment in Ontario's capacity for sustained economic growth and continued prosperity. We would achieve both of these goals through a competitive regulatory framework that protects both consumers and investors in our province.

A payday loan is a short-term, small principal instrument loan that is made to borrow upon the guarantee of a postdated cheque or a pre-authorized debit. The payday lending industry fills a gap that currently exists in the short-term lending market, suggesting that mainstream lenders are not very active due to perceived risks posed by the credit standing of those who use payday loans.

Regulating the payday lending industry is no small feat. There are approximately 700 payday loan storefronts in Ontario, accounting for over half of the estimated 1,300 storefronts in Canada. Based on a typical payday loan, these businesses lend at an annualized rate commonly in excess of 750% and sometimes even as high as 1,000%.

If this bill is passed, the maximum total cost of borrowing can be regulated. This legislation would create a licensing regime for payday lenders, create an enforcement regime, establish disclosure obligations and prohibit certain industry practices. It's a win-win situation for both the industry and consumers.

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We intend to create a stable, more open environment for persons using payday loans by establishing a limit on the total cost of borrowing for payday loan agreements in Ontario and allowing viable businesses to continue under a new regulatory framework. Most important of all, we intend to uphold our commitment to protect all Ontario consumers who make use of payday loans. Consumers should be able to enter a payday lending shop and be just that: informed consumers, not victims. Consumers need to be educated, empowered and confident in their use of these financial services. This proposed legislation would undoubtedly strengthen Ontario's economy.

Please allow me to provide some of the details inside this comprehensive proposed legislation. First and foremost, we want to build on the progress we've made since August 2007. That is when we required payday lenders to display clear and prominent signage in their stores outlining to customers the total cost of borrowing involved in payday loans. This proposed legislation would solidify our progress to date by creating a regulatory framework that encourages competition, while discouraging the now familiar cycle of debt dependency that can result from these loans, especially for those Ontarians who can least afford it. If passed, the proposed legislation would deliver real and positive changes and increase public confidence in the integrity of this industry.

There are three key elements to this bill that I want to speak to. Yet, before I do, I should take a moment to further recognize the need for this legislation. Last spring the federal government enacted Bill C-26, An Act to amend the Criminal Code, and in so doing, provided provinces with the opportunity to regulate the total cost of borrowing for payday loan agreements. British Columbia, Manitoba, Saskatchewan and Nova Scotia have already passed payday lending legislation that meets the requirements for designations under Bill C-26. Our government held consultations last summer to gain needed insight from citizens, advocacy groups and lending officials on the direction Ontario should take in this matter. The message we received was clear: Citizens, advocacy groups and the payday lending industry itself all wanted regulation to create a level playing field.

This bill would act to protect consumers as a comprehensive legislative regime to regulate payday lenders, consistent with Bill C-26 requirements for designation. We were one of the first provinces to take action to protect consumers when we amended the regulations under the Consumer Protection Act, or CPA, in 2002 to provide rules for payday loan agreements, including those clear and prominent signs showing the total cost of borrowing per $100 advanced, certain standardized disclosure in payday loan agreements and an immediate distribution of funds to consumers who entered into payday loan agreements.

In 2007, the consumer protection branch of the Ministry of Government and Consumer Services received 44 inquiry calls and three written complaints concerning payday loans. As a result, 43 proactive field visits were conducted, and of the 24 major payday lending businesses visited at 43 different locations, only eight were found to be in full compliance with the CPA disclosure agreements. This number was far too low and, as a result, lenders looked for clarification and we provided it. We received clear support to seek designations under Bill C-26 to regulate the payday lending industry. Over 75% of those Ontarians who made their voices heard during our extensive consultation processes were in favour of moving in this direction.

We have ensured that the approach taken in this proposed legislation is balanced and consistent with designation requirements under federal Bill C-26. So as you can see, there is a clear mandate and a present need to make this happen now. We have also done our homework in order to properly understand who those Ontarians are that most often use these loan services and why. Payday loan customers are typically younger than the general population, are often educated up to the secondary school level and have average annual household incomes ranging from $35,000 to $41,000. These borrowers have substantially lower household incomes and-key to our focus on Ontario families-are more likely to have dependents.

The reasons these Ontario consumers turn to payday lenders are numerous. Maybe they have poor credit history, or an inability to obtain overdraft protection; perhaps they have credit cards at their limits, or just a short-term need for quick and convenient service. Regardless, we understand that all consumers deserve equal and strong protections from harmful lending practices.

If passed, the act would create a licensing regime for payday lenders to ensure fairness in the provision of payday loans. Licensing would assist in weeding out individuals of questionable background from the industry. A business wishing to work in this type of regulated sector would need to meet stiff criteria in order to do business. Once licensed, lenders who do not follow the rules risk penalties, prosecution and, possibly, revocation of their licence.

This bill would remove dishonest operators from the industry and demand that all payday lenders and loan brokers in Ontario act honestly in the conduct of their business. Licensing payday lenders would immediately provide all users of payday loans with strengthened protections. Businesses seeking to be licensed as payday lenders or loan brokers would have to meet certain criteria, including that they have to be financially responsible in the conduct of their business and that they will operate their business in accordance with law, honesty and integrity.

We can rest assured that, with this proposed legislation in place, consumers can use payday lending services with greater safety and assurance. If passed, we will have the strongest payday lending rules in the country.

This proposed legislation would allow to us have a maximum total-cost-of-borrowing cap to limit the amount payday lenders can charge. We have decided to establish a maximum total-cost-of-borrowing advisory board to consult with the industry, consumer groups and with other experts, in order to recommend to the Minister of Government and Consumer Services what an appropriate limit would be to the total cost of borrowing for payday loan agreements.

Our friends in Manitoba and Nova Scotia are using existing utilities boards to consult and set rates. Saskatchewan will be hiring an independent consultant to advise the province on a total-cost-of-borrowing limit to be prescribed in regulation. For Ontario, setting the maximum limit to the total cost of borrowing for payday loan agreements in the regulation, based on the solid advice and recommendations of an expert board, is the smartest and most advisable route we can find.

The expert advisory board will consult with citizens and the payday lending industry and will come up with a recommendation on a limit to the total cost of borrowing for payday loan agreements. We know that many payday lenders support upper limits on the total cost of borrowing and want active involvement in setting the limits, while still others want less government involvement in the pricing of their service.

This proposed legislation would prohibit a variety of harmful practices that currently exists in the payday lending industry, such as rollovers, back-to-back or concurrent loans, inflated default charges and hidden fees. And the list goes on.

For example, a 23-year-old who makes $30,000 per year and has to use a payday lending company to get through some rough months can easily end up taking one loan after another for weeks on end. This all too often comes about because they could not complete the original loan term, paying an exorbitant interest rate on the original loan while falling into a cycle of debt that is almost impossible to stop.

Under this proposed legislation, payday lenders would be prohibited from making concurrent or back-to-back loans. These are the so-called rollover loans where a borrower takes a loan on a loan and is saddled with sky-high borrowing charges. These industry practices are alleged to be problematic because they increase the borrowing costs to consumers and encourage them to take out loans for which they most often do not have the resources to repay. The proposed Payday Loan Act, 2008, has been designed to prevent the lender from profiting from the borrower's inability to repay their loan.

We have already amended the regulations under the Consumer Protection Act, 2002, to impose specific requirements on payday lenders. The amended regulation requires payday lenders to post information to enable borrowers to compare lending costs, requires specific information to be clearly set out on the first page of the payday loan credit agreement, and requires payday credit agreements to be delivered to the borrower upon entering into the agreement.

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The final and perhaps most important element of our proposed legislation is the establishment of the Ontario payday lending education fund. The fund would be used to educate the public, particularly with respect to financial planning, and would result in more informed consumers. Payday lenders and loan brokers would support the fund, as the proposed legislation requires them to make payments to the fund.

The proposed legislation includes several provisions that are designed to protect consumers within the context of particular payday loans. For example, if a borrower takes a loan for $300 but only receives $280 from the lender because $20 goes toward a document/administration fee, this is known as discounting the loan principal. This is a practice used by lenders to hide fees. The proposed legislation would prevent this by making it an offence to request or receive any payments from the borrower of any part of the cost of borrowing prior to the expiry of the loan term. Therefore, if the loan is $300, the borrower receives $300.

A very important part of the proposed legislation is that it recognizes a cooling-off period. The proposed legislation provides borrowers two business days to cancel the payday loan agreement without penalty or costs. The borrower may cancel within the cooling-off period without having to give a reason for doing so.

Where the proposed legislation prohibits a practice, places requirements that must be met when entering into a payday loan agreement, or sets limits to the total cost of borrowing, lenders must adhere to the rules or face the consequences. Where the lender ignores these rules, the borrower would not have to pay the cost of borrowing associated with the payday loan agreement. The borrower would only be obliged to repay the advance received from the lender under the agreement. In short, the payday lender would lose their profit.

This bill would bring clarity, accountability and greater assurance to this industry and its customers. It's as simple as that. However, our work does not end there.

A successful regulatory regime depends on setting clear rules. A successful regulatory regime must enforce the rules-and we will. We will be strict and tough in enforcing the proposed new legislation to safeguard the public interest.

The ministry's consumer protection branch will conduct inspections, investigations, respond to consumer complaints and administer the administrative monetary penalty provisions.

The proposed Payday Loans Act, 2008, provides that licences may be revoked or suspended in specified circumstances or if a licensee contravenes the legislation.

To recap: If the Payday Loans Act, 2008, is passed, payday lenders will have a regulated environment that affords competition and economic growth. Users of payday loans will be protected from harmful industry practices and will have remedies if payday lenders do not follow the new rules.

At this time, I would like to acknowledge all of the hard-working staff at the Ministry of Government and Consumer Services. There are many who contributed in the preparation of this bill and, on behalf of the minister, we thank them.

Ontario has led the country in looking at specific protections for consumers who use payday loans. This is an example of how we will continue to lead the country with our good work.

The proposed Payday Loans Act, 2008, most certainly complements the government's efforts to assist the most vulnerable members of Ontario's communities and aligns with the government's priority of strong people and a strong economy.

If the proposed legislation is passed, payday loan customers will be better informed, better able to protect themselves and enabled to make informed choices when it comes to short-term borrowing, and the payday loan industry will have the regulation needed to ensure a level playing field that encourages and supports honest operators and inspires more confidence in consumers. That is good news for all of us.

The Acting Speaker (Mr. Jim Wilson): Thank you. Questions and/or comments?

Mr. Bob Delaney:
It's a pleasure to support the statements by the parliamentary assistant, whose work in Missisauga South I certainly have to commend. Not merely in a community such as the one the parliamentary assistant hails from, in Clarkson and Port Credit, but even in my own communities of Meadowvale, Streetsville and Lisgar, one of the things that we've seen is the proliferation of these shops and malls that are essentially money stores.

I've gone into a lot of the schools and I've asked the kids, "Has anybody ever used one?" Now, typically the loan is about $300, but, my gosh, the conditions that are attached to it-it seems that you are forever paying it off. When I've explained this to new Canadians and to young people, they've said, "Wow, I had no idea."

What Bill 48 aims to do is to provide a regulatory framework to make sure people understand that if you want to go into a payday loan store, here are the things that you're getting into; it requires the owner of the store to lay out the terms and conditions of the loan; and mainly it prevents the automatic rollover. There's got to be a period in between when one loan expires and another one starts, so that you can't get caught on this treadmill of continually paying interest after interest after interest.

There is a market for these risky loans that are not secured by anything. What this bill aims to do is not to drive the industry out of business or underground, but if they choose to remain in business in Ontario, to make sure that their practices are upfront, they're clear, they're transparent to the user, and that people understand what they are getting into, how to get out of it, and how much it's going to cost.

This bill is long overdue, and I certainly want to commend the parliamentary assistant for all the hard work that he's put into it and all the great work that he does serving his constituents in Mississauga South.

Mr. Tim Hudak: I would like to respond to the opening comments by the parliamentary assistant on behalf of the minister.

First, I think we all in this House wish Minister McMeekin all the best in recovery. Even though we're in different parties, I've had a good relationship with him-as a neighbouring member, by the way, on my west border, the border with Mr. McMeekin's riding.

I'm pleased to see that he has moved forward on payday loans. There's been a number of us in the Progressive Conservative party, as well as the third party, quite frankly, who have called for payday loan legislation. One of the things I had suggested was trying to follow the Manitoba model. The Liberals were a little slow in moving on this. The previous minister decided not to act on it. I'm pleased that Minister McMeekin has.

I'm very much looking forward to my colleague the member from Nepean-Carleton's comments. She's very well versed in this issue and, as you will see, will speak passionately about payday loans and the sectors it impacts.

There are a couple of things I think need to be brought into consideration and debate, and hopefully to committee. The federal government made changes to allow the provinces to set the rates and governance on this sector. I think in doing so, it's important to consult with those who operate in this sector as well as consumers. The federal move has given the provinces the ability now to bring forward this type of legislation, as Manitoba had done some time ago.

Secondly, I think it's important that you recognize the good actors in the industry, that you try to raise the standards that are there and then shut down the fly-by-night operators. So, as opposed to having the government come in and dictate everything, I think it's important for government to work with industry to ensure that high professional standards are maintained in this sector that delivers services to some folks who don't use banks.

My last comment: Importantly, and I hope the parliamentary assistant will pursue this as well, credit unions are not exempted from this bill. They already have governing legislation that was actually before the assembly not too long ago. I do hope the real concerns of the credit unions are addressed.

Ms. Cheri DiNovo: I look forward to speaking to this bill. It's of course a reaction to a real bill, a stringent bill that came in with a hard cap, which was Bill 224 that the New Democratic Party brought in and that was not passed by this government.

I just want to correct a misperception that has been put forth in this House. We do not lead in this area at all. In fact, we follow far behind other jurisdictions, most notably Quebec, which has a hard cap of 35% and in which there are no lenders.

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Payday lending is a lovely term and I'm going to expand upon it. Really, what we're talking about is loansharking. It's not even legalized loansharking because it is not regulated. What this bill does is consult. It sets up yet another government bureaucracy, yet another committee, to look at something that has been looked at by a number of jurisdictions quite adequately in the States and in Canada. In fact, it will cost the taxpayers about $1.5 million to $2 million just to study what has already been studied to death across this country and across the United States.

Meanwhile, as we study, a host of people across this province will suffer. They will lose their life's savings, they will go into debt, and they do so day after day after day. I will tell you about some of my experiences with some of those people: the hardship; the horror. We're talking about children, we're talking families, we're talking about people who are preyed upon by an industry that anyone with any ethics would see is problematic. I looked up in the dictionary what loansharking is. It is excessive rates of interest. Usury used to be considered over 60%. What we're dealing with here is a usurious business.

I look forward to dealing with this. I look forward to speaking to it for an hour and, quite frankly, onward. We're not letting up and neither is-

The Acting Speaker (Mr. Jim Wilson): Thank you. Further questions and comments? The Minister of Labour.

Hon. Brad Duguid:
I just want to say a few words to commend the Minister of Government and Consumer Services, Ted McMeekin. Despite the fact that he has been in a good and full recovery, and thank goodness for that, he has continued to ensure that this legislation moves forward. I know he did a lot of work prior to his illness as well. We're all looking forward to having him back here for sure, but even in his absence-he may not be in this place-his work is still being carried out through the able work of the member for Mississauga South, his parliamentary assistant, who, as members in this House saw today, is a very able, well educated, informed parliamentary assistant who is doing a great job filling in for the minister, not only today but out in the community. This is a member who has graced us with his baritone voice in this Legislature; when he gets up, he distinguishes himself with that voice. He's a pleasure to listen to, a very articulate speaker. I commend him and thank him for the good work he's done already and for assisting Minister McMeekin in ensuring that his duties have been carried out. You're doing great work in that respect.

I want to comment briefly on this bill. I think it's an important bill that is another example of the McGuinty government's ensuring that we've improved on consumer protection-unlike the NDP, who no doubt are going to offer up some Pollyanna policy of probably zero per cent or something like that and think that's going to work. What that is going to do is drive the industry underground. People in very responsible positions in the area of helping those who are less advantaged are telling us to make sure, when we bring this bill forward, that we do it in a reasonable, fair and balanced way to ensure that we don't drive this industry underground. As a mark of previous McGuinty government legislation, we will ensure that it is fair and balanced and in the best interests of the public, protecting the most vulnerable in our society.

The Acting Speaker (Mr. Jim Wilson): The honourable member for Mississauga South has up to two minutes to respond.

Mr. Charles Sousa:
I very much appreciate the comments made and I recognize some of the concerns that are raised. While this is a financial bill, in many respects it has great emphasis on the poverty agenda. But in fact this is more about the consumer and consumer

many respects it has great emphasis on the poverty agenda. But in fact this is more about the consumer and consumer protection, especially for those most vulnerable.

I should also recognize that we have some key stakeholders here in the House today. In fact, the Honourable Stan Keyes, president of the Canadian Payday Loan Association, who was previously a multiple minister in the federal government, is here in the House today. He and many others share the same concerns to ensure that we have a regulatory environment that enables us to protect consumers and ensure that they don't get caught in a further cycle of debt.

I'd like to quote the minister at this point, and he says it best: "We're not out to employ payday lenders-or destroy payday lenders. We're here to fulfill our mission to protect consumers. Protect them, we will"-Ted McMeekin.

The Acting Speaker (Mr. Jim Wilson): Thank you for your contribution to the debate. Further debate?

Ms. Lisa MacLeod:
I'm pleased to lead off debate of Bill 48, the Payday Loans Act, on behalf of the official opposition. At the outset, I would like to acknowledge the Minister of Government and Consumer Services, who right now is at home recovering from a very important medical procedure. On behalf of the PC Party and our caucus, I wish him well. I'm very happy that he is recovering.

I would also like to acknowledge his parliamentary assistant, Charles Sousa, who I think did a great job in explaining the need for this legislation.

At the outset, Mr. Speaker, you won't be surprised that we do support greater consumer protection with respect to payday loans. This piece of legislation is long overdue. For years now, both the official opposition and the third party have been calling on the Liberal government to introduce legislation that would protect Ontario's consumers from the extremely high cost of borrowing with respect to the payday loan industry. Not only must we protect Ontario's consumers, but payday loans, which do fill a market need, must keep pace with the changing face of the industry in order to remain sustainable and viable. Of course, that means standards of protection must be introduced and adhered to by the industry, so that usurious and criminal rates are not charged to Ontario's consumers.

I must say that this legislation will need to receive public scrutiny. First and foremost, this is about the consumer, but we must also remember that the payday loan market has grown because it fits a niche in the Canadian economy. Whether we personally agree with it or not, it was created for a variety of reasons.

At this time, I'd like to acknowledge the work of two former Progressive Conservative critics and ministers who spoke very loudly on this issue from the get-go. I would like to first recognize my colleague the member for Niagara West-Glanbrook, a former minister of consumer protection, and the former MPP for Barrie, Joe Tascona, who both pushed this issue along in the Legislature in the interest of greater consumer protection.

In particular, Mr. Tascona introduced Bill 205, which would have amended the Consumer Protection Act, 2007, to include payday loans. Mr. Tascona's bill, had it been successful, would have established licensing requirements for payday lenders, which the bill before us certainly endorses. It would have prohibited lenders from demanding security for a payday loan. Borrowers would have had the right to cancel a loan for any reason within one business day after receiving the initial advance under the loan, which similarly is carried over in spirit in this legislation. New regulation-making powers would allow the government to set an interest cap. Mr. Tascona's bill was apparently ahead of its time. It is too bad that the Liberals decided to dawdle along when Mr. Tascona's bill had been there all along.

In review, Mr. Tascona's bill, in its explanatory note, says the following:

"The bill amends the Consumer Protection Act, 2002, to add a new part about payday loans. A payday loan is defined as a loan of money with an initial advance of no more than $1,500 and an initial term, ignoring any extension or renewal, that is no longer than 62 days.

"A person is not allowed to offer, arrange or provide a payday loan from any location except if the person holds a licence issued under the act or if the person is employed by a licensee and acts on the licensee's behalf. A licence must specify the location involved. The regulations made under the act can specify the qualifications that a person is required to have and the educational and other requirements that a person is required to satisfy in order to be eligible for a licence. A registrar appointed by the minister issues licences"-again, very similar to what the Liberals have proposed here today.

"The registrar can refuse to issue or renew a licence or can suspend or cancel a licence for a reason specified in the act. If the registrar proposes to refuse to renew a licence or to suspend or cancel a licence, the licensee may request a hearing by the Licence Appeal Tribunal.

"The regulations made under the act can specify a maximum amount for the cost of borrowing in relation to a payday loan. A lender under a payday loan is prohibited from taking security for the repayment of a payday loan. A lender is also required to post signs at each of the lender's business locations setting out all components of the cost of borrowing and other information prescribed by the regulations.

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"A borrower under a payday loan can cancel the loan, for any reason, within one business day after receiving the initial advance under the loan. Upon cancellation, the borrower is required to repay the outstanding balance of the principal under the loan and the lender is required to reimburse the borrower for all amounts paid in respect of the cost of borrowing.

It concludes with: "A lender under a payday loan is required to keep the records that the regulations made under the act specify."

Just as the PC Party saw the need to protect consumers who made financial transactions years ago, we are still supportive of creating industry-wide standards today which will create a more viable industry and a less predatory environment for those who are using payday lending services. My colleague Tim Hudak, the former minister of consumer protection, was one of the first in Ontario to recognize the need for better consumer protection and industry standards in the payday loans field. He said years ago, "Ontario should follow the example set by Manitoba and bring in legislation to establish provincial control." He added that "our best approach is to ... make sure some of the shoddy offices in the industry are shut down."

Before I proceed with the debate, I'd like to take a moment to briefly explain to this House a little bit about the payday loan industry and what it does, particularly for those at home who are watching this debate. A payday loan is an unsecured, small-sum, short-term cash advance that is payable at or near the time of the customer's next payday. To pay the loan, the customer can either write a cheque or provide authorization for a debit transaction to their account. The average loan is approximately $300. Loans do not involve credit checks. To be eligible for a loan, a person must show that he or she has a steady job, receives a regular paycheque and has a bank account. In addition to loans, payday loan companies may also offer other services, including cheque cashing, advances on tax refunds, money transfers, foreign currency exchange, bill payment and/or money orders.

For years this industry has been unregulated and has charged, in some cases, excessive and unreasonable interest rates. As I review this bill, indeed, the spirit of consumer protection is there. So I would be most hopeful that the spirit of co-operation among members in this Legislature will carry the day on this legislation in the true interests of consumer protection. It is important that our province plays a regulatory role in the payday loan industry.

Obviously, the biggest reason is because the federal government said so. On October 6, 2006, they changed the Criminal Code under section 347 to exempt provinces who introduce legislation that clearly lays out consumer protection measures for payday loan industries and that place a cap on the cost of borrowing. To date, three provinces have established regulatory regimes for the payday lending industry.

In 2006, the government of Manitoba required that payday lenders carry warning signs about the cost of obtaining a loan. The legislation also prohibits the signing over of future wages to loan companies and institutes a 48-hour cooling-off period. The provincial public utility board also recently established caps on borrowing.

Also in 2006, the province of Nova Scotia passed similar legislation to Manitoba and referred the job of rate setting to its utility and review board. An announcement on Nova Scotia's rate is pending. Quebec is expected to maintain the status quo, licensing only those payday lenders who can demonstrate that the cap on the total cost of borrowing does not exceed 35%.

Federal Bill C-26 stated that rate caps should be reasonable enough for a competitive and viable industry but not be so onerous as to gouge consumers. I think that is where we need to be in this debate today and I think my colleagues in the government would agree. This comes as relief, considering that the federal government's regulation of the industry was unsuccessful. Really, it was inadaptable to such short-term lending practices.

Regulating the payday loan industry will also place greater consumer protection ahead of the interests of the fly-by-night payday loan operators, who are the ones we know are scamming hard-working Ontarians. I think that is whom we should be focusing on as we proceed with this debate today. This is also why reputable payday loan companies and the Canadian Payday Loan Association are supportive of industry standards and enhancing consumer choice, among other lending options, such as friends and families, banks, credit cards or store cards. While the majority of payday loan companies are in favour of regulating the industry, it must not be forgotten that the competition within this industry should also be encouraged.

Payday loans provide a financial service that many consumers need and value, whether we personally agree with it or not. As the Canadian Payday Loan Association outlines, "The availability of payday loans means consumers do not need to use more expensive options with less consumer protection, such as pawn shops or Internet loan providers." The CPLA also goes on to state: "Competition among payday lenders is the most effective means to ensure consumers have access to payday loans when they need them and at the lowest possible price."

When discussing the payday loan industry, as it were, I think it is helpful to bring forward research prepared by Canada's most superb research organization, the Library of Parliament. Andrew Kitching of the law and government division and Sheena Starky of the economics division of the Library of Parliament provided parliamentarians and Canadians with a very thoughtful dissertation called Payday Loan Companies in Canada: Determining the Public Interest. The objective and impartial findings of this research team conclude, "The payday loan industry presents an interesting situation for policy-makers, where both the public interest and the best course of action are somewhat unclear." They add an interesting observation in their conclusion: "Criminal prosecution, however, could eliminate the payday loan industry, and in the absence of increased servicing by traditional lenders, leave some consumers without access to credit or the convenience they desire."

That's an important point: "access to credit or the convenience they desire." It means the debate on payday loans is actually about choice; it means there is a demand by free, willing, able and thinking people in Canada and in Ontario. As the Credit Counselling Society wrote to the Honourable Stan Keyes-who I'm very happy is here today; he's a former Canadian Minister of Revenue who is now president of the Canadian Payday Loan Association-"We believe that consumers are better served in a healthy and competitive marketplace instead of a marketplace with few providers."

Later in the letter, Scott Hannah of the Credit Counselling Society writes, "While we are concerned that easy access to credit can potentially create financial difficulties to consumers, regardless of the source of credit (overdraft, line of credit, credit cards or payday loans), it is not practical to create regulations to protect consumers from themselves." He then adds, "I do believe it is up to the consumer to use credit responsibly." I couldn't agree more. That's why I'm supportive of regulating the industry to get the scammers, the bad seeds and the real loan sharks out of the market, but just as the Library of Parliament also pointed out, people in Canada and Ontario want access to the credit or the convenience they desire. It isn't up to us in this chamber to limit people's choice; it is up to us to protect them with a reasonable regulatory regime and licensing framework, so that the choices they make are not detrimental to them or their financial well-being. It's a delicate balance. We're here today to protect consumer interests by eliminating the fly-by-nighters, but we should all be here with a view to protecting consumer choice as well. After all, it is their responsibility, not the government's and not any member of this Legislature's to tell people how to use their credit and use it wisely.

With the growth of payday loans across Ontario and Canada, we in this chamber would be naive not to acknowledge that the industry is filling a service gap in the financial services sector. In fact, according to the same Library of Parliament research paper I've been quoting, "It is believed the payday loan industry first emerged in Canada in the early to mid-1990s in response to a demand for small-sum, short-term credit." Since that time, the industry has grown rapidly. Currently, it is approximated that there are between 1,300 and 1,400 storefronts nationally, with almost half of those residing here in the province of Ontario.

With a proven demand, I think it is time to frame the debate around the reality, which is that payday loans do serve a niche in the financial service market, whether that so-called niche is the preference of some members or not. We need to focus on the reality of the situation in this chamber. It may not be the first choice of financial transactions for members in this chamber, but for Ontarians in our cities, villages and hamlets, payday loans are part of many of their financial planning days.

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In fact, a survey provided by Pollara to the Canadian Payday Loan Association indicated that a majority of its respondents-payday loan customers-reported that the most important reason for choosing to obtain a payday loan in the past, rather than using another source of financing, was because it was quick, easy and convenient; 51% said that. The second reason for using payday loans was that it was a more convenient location than a bank.

So as I look at the bill in front us, I see an opportunity to protect consumer rights while also protecting consumer choice. The Payday Loans Act, Bill 48, will regulate the payday loan industry. Some of the key provisions include:

-Payday loan providers will be required to hold a licence issued by a registrar who will deal with the compliance and complaints.

-It will set up an Ontario payday lending education fund, requiring all licensees to contribute to the fund, and will educate consumers on their rights and obligations.

-Borrowers will be given a 48-hour period to cancel loan agreements without charge or penalty.

-Payday loan agreements will be required to comply with the cost-of-borrowing limits prescribed within the regulations under the legislation.

-Fines will be established for the contravention of the legislation.

-A three-member, independent advisory board will be established to set the maximum total cost of borrowing, comprised of a business representative, an academic and a social advocate.

While there is no question that this is indeed where the federal government expects us to be going in the context of section 347 of the Criminal Code, and indeed where the legitimate players in the industry and the borrowers of payday loans expect us to be, there are still more questions that need to be answered, and of course the usual concerns and suggestions coming from the official opposition, which I believe will only enhance the bill.

Until we receive substantive public consultation on this legislation, the debate will be confined in this chamber. I hope for the quality of debate that we stick to the facts and the evidence and not resort to the rhetorical and anecdotal. Having said that, I do have a few concerns with this legislation, and I'll outline them very briefly before I go in depth.

I am concerned that the Liberals have made this a social policy bill rather than an economic bill.

I am concerned that the advisory panel might be weighted too far to one side of the spectrum, that it will be heavily influenced by the ministry, and whether or not its recommendations will be binding.

I am concerned that the Ontario payday lending educational fund will be nothing more than bureaucracy and won't really reach anyone who needs to get their circle of debt under control.

If I may, I will begin with the Liberal's decision to call this an "anti-poverty bill." Fundamentally, I believe that whenever this chamber discusses financial matters such as is the case right now, it should be in the context of fiscal, not social policy. I think that the Liberals are doing a disservice to this legislation by lumping it into their anti-poverty agenda, primarily because the bill is now based on assumptions of borrowers that never really have been proven. Secondly, if the Liberals are serious about the root causes of poverty in Ontario, I would think that a stand-alone, thoughtful piece of legislation combating the root causes would actually be more realistic. But then again, I also adhere to the notion that a stronger economy with more jobs and more competition is actually the way to get people out of poverty and into better financial circumstances.

Having said that, I would like to take a few minutes to discuss those assumptions that the bill is based on right now. It's implied that all users of payday loans are poor, uneducated and have horrible credit ratings. That's quite an assumption to make, particularly when you consider that the industry has grown, as pointed out by the Library of Parliament, and that it does create a niche market for those looking for convenience and credit, not solely based on those who are out there who are, unfortunately, desperate.

I stated earlier that I had an opportunity to review polling data from Michael Marzolini, the chairman of Pollara. I must admit that I had never expected to be in this Legislature quoting such a well-known Liberal pollster, someone who, just a week ago, at a breakfast hosted by Enbridge gas, Warren Kinsella had said was the best Liberal pollster out there. Nonetheless, I do like to read research, I do like to analyze it, and I saw some interesting findings.

The findings certainly fly in the face of the perception that the average payday loan user, whom this Liberal government considers poor, uneducated and with a horrible credit rating-that indeed is not the case. Mr. Marzolini is quoted in a press release saying this: "After years of surveys in the financial sector, I'm surprised by the sophistication and knowledge of payday loan consumers. This data puts to rest a number of widely held misconceptions about the payday loan industry," and goes on to add that the research finally puts evidence before anecdotes.

The survey evidence indicates that a majority of payday loan customers are fully aware of the approximate amount they will pay for all fees, including administration fees and interest charges on their mortgages, savings and chequing accounts and payday loans. Of the payday loan customers, almost four in five reported that they paid back all of the loans they received in the past on time, while only 17 indicated they had paid back most of them on time. This information demonstrates that, contrary to conventional assumptions, the average payday loan customer is employed, educated and not singularly representative of low-income households. Surely, all this information and data prove that the average payday customer is neither poor nor uneducated, contrary to what some here may believe.

I not only reviewed Mr. Marzolini's polling data, but also transcripts of focus groups in Nova Scotia and Manitoba, as they embarked upon their legislation. Consumers there were very forthright; they were also very revealing. One of the questions to the panel implied that people who use payday loans are generally poor, uneducated or don't know what they're doing. The answers were very interesting. One gentleman was a university-educated business entrepreneur who, by his own admission, was very successful, and one woman, was a student at her local college trying to balance her life. But the common answer from both of them as to why they use payday loans was that they were middle-class and making enough money, but things today are expensive.

Of course, Mr. Marzolini's research was conducted with consumers who had borrowed from established members of the Canadian Payday Loan Association, and not from fly-by-nighters, who, I think everyone in this chamber will understand, won't be in business if they continue these serious practices. But to go back: The common answer, when they use payday loans, is that they were making enough money and they were middle-class. It's important to note that the CPLA has a strict code of best practices and does favour regulation in this marketplace so that only legitimate and reputable lenders are doing business in this sector.

Of interest in the research are the demographics of current customers of reputable payday loan institutions. The average age is 39-a little bit younger than you-

Interjection.

Ms. Lisa MacLeod:
-and a little bit older than me. Close to 70% are employed, over 50% have a post-secondary education and they borrow an average of $350 per loan. Furthermore, I found the reasons for borrowing to be quite interesting. Many in the focus group transcripts concurred with the polling data, which suggest that more than half of the customers cite emergency or unexpected expenses, 20% want to avoid service charges or bouncing cheques, 5% want to buy something and only 15% said they had no other option. This is fascinating stuff, and I think that the research is actually more reflective of the fact that this nation has become a credit-based economy, which I think speaks to all ages and income demographics. I don't think we can single out any demographic that's not using a credit card in this country. We have become a nation that has learned to live beyond its means, and to be honest, if you look at this Legislature and the budget we had, this government is living beyond its means. I think that addressing this issue is perhaps what should have been looked at as well.

But it is not just Mr. Marzolini's research-which I'm astonished that I'm actually quoting, but it seems to fit the bill-that highlights findings in the payday loan sector. According to the Daily on Friday, April 20, 2007, "Four in 10 families who borrowed money through payday loans had spending that exceeded their income." That's largely why I think the passing of the bill should have been in the context of a financial plan rather than an anti-poverty plan. The anti-poverty plan should have been tabled during the budget deliberations here, but it wasn't; it was called a pro-spending, pro-taxing plan, which is driving jobs out of the Ottawa economy. I think that 1,300 jobs are leaving the high-tech sector by the end of June, and I just hope that a bank will let them take out a loan, because there won't be a paycheque. But I digress.

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My second concern is the three-member panel. While I'm not opposed to the three-member panel, I do have concerns with it. I would hope that the parliamentary secretary will be able to shed some more light on this. I'm hopeful that they will also consider Ontario-specific information. This is the largest province. It's the most diverse province in the country. The cost of doing business here-thanks to our colleagues opposite-is higher than anywhere else in the country. Wouldn't you agree? You're the finance critic.

Mr. Tim Hudak: I agree.

Ms. Lisa MacLeod: He knows.

Mr. Tim Hudak: Excellent point.

Ms. Lisa MacLeod: He knows everything.

While there is little doubt that a panel of a social advocate, an academic and a financial sector professional is an interesting choice, it will be incumbent upon our payday loan industry to ensure that there are reasonable caps that protect the consumer, but also ensure that there is a viable industry, because, as the Library of Parliament pointed out, there is a niche market there; there is growth for a reason. Getting people to a reputable organization, rather than an underground organization, is certainly more important to us. That's what we should be doing here. We should be protecting people. But then again, the fear is obviously of the unknown if people aren't dealing with a reputable organization.

Manitoba, under their Bill 25-their legislation containing consumer protection measures specific to the payday loan industry-had the public utilities board decide how to set the caps on rate fees for payday loans and it ultimately is hurting consumers because they are removing themselves from the market. We must take care so that small and medium-sized companies are not driven out of the business. If there is no payday loan industry or services for the majority who use payday loans out of convenience-

Interjection.

Ms. Lisa MacLeod:
Well, they may go to a bank or they may not use the service at all. But the vulnerable, the truly low-income earners, may choose to go to a loan shark. I think that's what my colleague from Mississauga earlier stated. We certainly don't want that to happen. We don't want to drive people out of the business so they are going to unreputable firms. The viability and sustainability of the industry is the best way to keep predators out.

Finally, I'm concerned that the Ontario payday lending educational fund will just be another bureaucratic nightmare. I'm a supporter of fiscal literacy initiatives and I think we could be doing a better job than a fund that leaves much to be desired in terms of the details. The devil is in the details in this case and right now we don't have a lot of answers.

I think it would behoove the government to consider, with the Minister of Education, a fiscal literacy course, or at least part of a curriculum of math in grades 10 to 12, so that our students know, when they graduate and they get that shiny VISA from Scotiabank, that it's not free money, that they're going to have to pay it back at some point. I think the real root of this-if you want to talk about anti-poverty, I would urge that you consider that type of initiative and get to the kids earlier, so that they're not in this position after they have graduated. After they've graduated, they've got an enormous amount of money on a student loan that they have to pay back. But if they don't get a job or-uh-oh, worse-they had a job, but because of the high business taxes in Ontario their business has closed down, then they don't have a job, they've got high student loans, they've got high credit card debt and before they know it, these kids are just in a cycle of debt.

So we need to get to them earlier. If they're truly talking about anti-poverty and they're truly talking about getting people out of the cycle of debt, then what we need to be doing as a Legislature is considering fiscal literacy educational programs taught in the schools. I'm not saying this has to be a really difficult endeavour.

I just got a note here from our education critic, Joyce Savoline. She is going to knock everyone's socks off in this portfolio, I'm going to tell you. She agrees; we need to be investing in life skills for our students and that includes fiscal literacy initiatives. I think we're missing an opportunity to truly educate the public unless we consider these fiscal literacy courses or at least integrate a fiscal literacy curriculum into existing school coursework.

Teaching children about balancing the books, paying their debts and earning a living can never start too early, when you consider that our economy is slowing and we are in a credit-driven economy. I think it's important now, more than ever before, to teach the next generation about proper financial planning. That's missing in this bill.

If the government is serious, as I mentioned, about the educational component in this bill, they really ought to consider implementing province-wide curricula that include some form of fiscal literacy.

They must also be more clear about how they do plan to fund credit counselling or at least better communicate to those who need it.

Today I received some correspondence from the Credit Union Central of Ontario, which is concerned with this legislation as well. I would like to take a moment just to add their concerns to the public debate we are having here within this chamber. They are concerned that:

"Credit unions and caisses populaires are not specifically exempt from Bill 48.

"Section 3 of the act states, `This act does not apply to persons, entities or payday loans or classes of persons, entities or payday loans that are prescribed.'

"Currently, credit unions are exempt from the provisions of the Consumer Protection Act, including the provisions of the regulations thereunder dealing with payday loans. Compliance with that statute is enforced by the Ministry of Government and Consumer Services.

"The credit union system is concerned about the possibility of having two different ministries regulating different but related aspects of the business."

"We are of the view that it would be more efficient from the government's and taxpayer's point of view to have DICO and/or FSCO carry out all regulatory functions with respect to the operations of credit unions, rather than to assign this small part of its business to a different ministry.

"If credit unions will not receive an absolute exemption from the operation of the bill, then we are of the view that it would be preferable to add parallel provisions dealing with potential `payday lending' by credit unions to the anticipated draft general regulations under the Credit Unions and Caisses Populaires Act (which haven't been released yet-but the new act passed in the 2007 budget bill), and"-

Mr. Jeff Leal: That's a good point.

Ms. Lisa MacLeod: Thank you. Did I just hear you say that I had a good point? Keep saying it.

Mr. Ernie Hardeman: I think it's working. They're listening.

Ms. Lisa MacLeod:
It's working on them. I'm converting you-"amend the bill to deem compliance by credit unions with their own legislative and regulatory requirements with respect to payday lending to be in compliance with the provisions of the bill."

The Credit Union Central of Ontario also feels that "the government, taxpayers and the credit union system are better off exempting credit unions from Bill 48, and provide parallel provisions to regulate potential payday lending by credit unions under our own regulatory regime."

I'm going to conclude now. I think I have made the point of my concerns in the bill that what we need to do is make sure that people have choice, that we have a regulated choice for them so that they're not going into the backwoods, loan-shark dealers, that they're going to reputable companies that are willing and able to play by the rules with a licensing regime and a regulatory framework that is going to protect people. Quite honestly, when you hear that people are actually using the reputable guys, like the Money Mart and the Cash Store, whatever they're called, they're using them because they're convenient-a lot of people are. So the people who are most vulnerable are using the fly-by-nighters, and we've got to get them away from the fly-by-nighters. That's what this bill does.

I've just left some ideas here for the government which I hope it will listen to. I'll be very pleased to be part of the very public scrutiny and debate and put forward my own resolutions and amendments to this bill.

As the Library of Parliament points out, "A regulatory framework that makes it unprofitable to stay in business-some payday loan customers may turn to less desirable, underground credit options, including organized crime and loansharking."

I have to ask members here: If we limit choice, is that what we want to see our constituents resort to? I'm thinking no; I don't agree with that at all. Surely, I would expect, there is not one member in this House who wants that either.

While the official opposition does have concerns with Bill 48, we strongly support the introduction of legislation that would protect Ontario's consumers from the extremely high costs of borrowing with respect to the payday loan industry. Bill 48, in our opinion, is a very important piece of legislation that has finally been brought forward in this House, and it is important for two main reasons. Not only is this a step forward for real consumer protection in Ontario, but it will also create a regulatory framework and ban-outright ban-controversial lending practices.

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This proposed legislation, if we get it right-and there are a few things we could do to get it right; there's always room for improvement-will protect the people who use this service while keeping the industry sustainable and viable, but also with the highest standards of ethics and best practices, and I think we've started it today. I look forward to the public debate and I look forward to clause by clause. I look forward to protecting Ontario's consumers.

The Acting Speaker (Mr. Jim Wilson): Questions and comments?

Ms. Cheri DiNovo:
I listened with interest to the member from Nepean-Carleton. Again, I'm going to go into great detail, but I want to say one thing: Certainly she's right: It's not an anti-poverty bill. Second of all, we did consult. We consulted with an excellent consultant, Bob Whitelaw, who was the founding president and CEO of the Canadian Payday Loan Association. He seems to feel that the Canadian Payday Loan Association isn't necessary, that Alterna and other credit unions can fill the gap, can provide what's needed and can do it at 28% interest, even lower than what my bill and other jurisdictions call for.

There are other jurisdictions that meet my bill's requirements and the Quebec legislative requirements as well. For example, Denver capped interest rates at 36%. By the way, the Pentagon caps interest rates at 36% for its military personnel. It's interesting that the McGuinty Liberals are less progressive than the Pentagon. Also, New Hampshire has a 36% capped rate;

New South Wales, 48%; Oregon, 36%; and Manitoba, Nova Scotia, BC and New Brunswick all have capped interest rates. All we are asking for in the bill that we put forward in the New Democratic Party, Bill 224, is a capped interest rate. The question is, why could this bill not have brought in a capped interest rate when so many other jurisdictions have done that already?

I also speak on the heels of an incredible study done by the United Way with some excellent researchers who point to a tenfold increase in so-called payday lending. We call them loansharking. I don't see the difference, and I'll go into that in a moment. Their increase is not in middle-class neighbourhoods, not in Rosedale; no, it's in the poorest neighbourhoods of our city.

I look forward to speaking more about this.

Mr. Charles Sousa:
I appreciate the comments made by the member for Nepean-Carleton, who wishes to maintain the industry's existence, and I acknowledge the member for Parkdale-High Park, who recommends that it be eliminated entirely.

Further to our debate, allow me to highlight the key differences between Ontario's approach and that of other provinces. We note that regulations have not yet been finalized in most jurisdictions, but a review of the proposed legislation suggests that there are differences between Ontario and the other provinces:

(1) Stronger enforcement tools, by including administrative penalties under an absolute liability requirement; that gives Ontario a greater ability to ensure lender compliance.

(2) Stronger consumer remedies: Ontario has established the principle in the legislation that borrowers do not have to pay any portion of the costs of borrowing in the case of a non-compliant loan.

(3) Consumer education: Ontario has chosen to empower consumers by establishing a credit/finance education fund through mandatory contributions from lenders.

(4) Maximum total costs of borrowing: In compliance with federal law, we propose that Ontario create that independent expert board for the exclusive purpose of recommending a limit to the cost of borrowing, a panel to be chosen in short order to deal holistically. Other jurisdictions are using existing public boards or are simply establishing the rate in regulation through an internal process.

What's important is that we do continue to serve the needs and provide choice for informed consumers, ensure economic stability and protect the most vulnerable. I think, on that, we all agree.

Mr. John O'Toole:
I want to commend our member Lisa MacLeod from Nepean-Carleton for such a thorough review, looking at the federal implications that really cascaded this bill, with the changes back in 2007 defining, under the Criminal Code, certain things that require the province to set a regulatory structure in place, which I think is the appropriate thing to do.

To have Mr. Keyes here today was complementary to the process itself. I think, on all sides, it would be agreeable to say we are supportive. I want as well to compliment Mr. Sousa, from Mississauga South, for doing a great job in the absence of Mr. McMeekin, the minister. I wish him well.

This is not, by any stretch or any examination, a small bill. Like all Liberal bills, there is a lot of red tape in here. I'm just going to refer to a couple of things, without being critical. They tend to overdo things, as they would; they have lots of money to spend, usually.

If you look at page 39 of the bill, section 77, I believe there are a total of 37 sections that define and allow-if you look at the permission section, it says, "The Lieutenant Governor in Council may make regulations" with respect to a whole litany of things; it's huge. Not just setting up the registrar and all the oversight, and the review, investigation and inspection processes, but if you look at some of the sections, some of the powers need to be-for instance, section 5, dealing with the registrar, which is appropriate. He's going to be appointed; it'll probably be a political appointment.

Interjection.

Mr. John O'Toole: It says right in here, and I hope that person is qualified.

Section 6-licensing, the power of the licensing and the inspection process-is something. So keep an eye on the bill. It's a large bill. Don't be fooled by the agreement of the House.

Mr. Jeff Leal:
I listened carefully to the comments of the member for Nepean-Carleton, and I thought it was a very thoughtful and positive address. She certainly has done her homework. She has reviewed Bill 48 and, I think, has provided some excellent commentary about where there may be some areas in the bill that need some amendment as it goes through various readings in this House and on to committee for an opportunity to look at it on a clause-by-clause basis.

There's no question in my mind today that when it comes to financial activities in our society and protection of the consumer, there is a need for legislation. This area of payday loans is a very important issue. I've had people come to my constituency office in Peterborough who felt that, indeed, they had been ripped off by these fly-by-night operators who seem to be attracted to this kind of activity-the opportunity to make a fast buck, to prey upon individuals who often find themselves in very difficult circumstances. They go to these payday loan people-these sharks, as I call them-and pay an exorbitant interest rate to cash their paycheques. This is an area into which I think Bill 48 will play a big role, bringing regulation and oversight.

The protection of consumers in Ontario is not a partisan issue. There are times when pieces of legislation come forward in this House and there's an opportunity where I think there can be a consensus of the three parties to come together through the committee process to make some amendments and really put forward a piece of legislation that benefits consumers in Ontario.

The Acting Speaker (Mr. Jim Wilson): The member from Nepean-Carleton has up to two minutes to respond.

Ms. Lisa MacLeod:
I appreciate the comments of my colleague from Parkdale-High Park, whom I want to commend. We may not exactly agree on this, but she has done an awful lot of work and I congratulate her on that.

I want to congratulate the parliamentary assistant. You did an amazing job; it must not have been easy. You're a new member and you did this when the minister was not here, and I commend you for that.

Obviously, my very good colleague, my friend from Durham has been a constant source of support for me. To my colleague from Peterborough: I appreciate that, because quite honestly, this piece of legislation is important. It's long overdue. There have been calls from virtually all corners of this Legislature to enhance consumer protection for those consumers who are using payday loans.

But I must remind everyone that we don't need to protect us from ourselves. We have to protect ourselves. My concern is that we are trying to micromanage people's lives in the name of consumer protection. I think that consumer protection also comes with consumer choice.

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I think the real issue in terms of people's credit is fiscal literacy. During this entire debate, I'm not going to let up; I'm going to be talking about fiscal literacy and how I think this government could be doing a better job. We're early in this process, so I'm asking you now to be partners with me and the official opposition and especially our education critic as we move forward in trying to make sure that children in this province learn at an earlier age what their responsibilities are with their own credit and with their own money, because I think that's where it starts. It's not up to the government to tell people how to live their lives and to eliminate their choice. It's up to us to make our own choices and make them responsibly, with the best information that we have available. I would urge the government to consider that.

The Acting Speaker (Mr. Jim Wilson):
I thank the honourable member for her contribution to the debate. Further debate? The member for Parkdale-High Park.

Applause.

Ms. Cheri DiNovo: Thank you, my lone fan. And I look forward-

Mr. Rosario Marchese: Trinity-Spadina.

Ms. Cheri DiNovo: Trinity-Spadina. He wants to be acknowledged. Thank you.

To those at home, we have some time to walk through this issue. But first, before I begin, I do want to say something about the

Minister of Government and Consumer Services.

I want to say that when I was a newbie here, when I first came to this House, he came over-and I just want to say that we share something in common, Mr. McMeekin and I: we're both United Church ministers. I have to say that his ordination vows stood him in good stead. He came over to me-the only Liberal, the only member of the caucus ever to do so-and apologized for the smear campaign that happened during my by-election. He was the most gracious and wonderful person to me. I try to extend that to other new members, so I want to thank him. I also want to let him know, as I have done, that we in the New Democratic Party certainly do wish him the very best, wish him a speedy recovery, wish that he come back to this chamber. My prayers are with you, Ted, and I hope you're listening.

I'm glad you've done something. I'm glad you've taken some step, because certainly a step needed to be taken. And I have to say at the outset that we are going to vote in favour of this bill. But, you know-and here's the big "but"-it does not go far enough. In fact, it doesn't go anywhere much at all, and that's the problem. That is the problem.

Carol Goar said in a wonderful article not too long ago in the Star, "1,000% Interest 1,000% Wrong." I have heard my colleague from Nepean-Carleton and others speak about protecting those in the public from loan sharks, sending them instead to legitimate payday lenders. Well, I've got a dictionary and I suspect everybody watching at home has a dictionary. Look up "loan shark" and you will read next to "loan shark" this definition: "Those who charge excessive interest."

Now I turn to the federal government on this, in Bill C-26. They define excessive interest. Usurious interest used to be considered 60%. Now, considering that extremely expensive credit cards charge 28% to 30%, one would have to agree with the federal criminal designation of excessive interest at 60%. Surely anything in excess of 60% should be considered, by any definition, loan sharks, loansharking. But instead of, you know, Tony Soprano and the Bada Bing on the corners of our poorest neighbourhoods, we have instead this industry, if I can call it that-well, industry maybe-this business, unregulated financial business, on the corners of our poorest neighbourhoods. They don't exist in Rosedale. You don't see them in Forest Hill. You don't even see them near Riverside Drive in my own riding. Where do you find payday lenders? You find them in the poorest ridings, in the poorest places, and United Way has told us this. They've described a tenfold increase of loan sharks/payday lenders in the poorest neighbourhoods in the last 15 years, a huge explosion of unregulated loan sharks going by names that sound kind of nice, like they're your friends or something.

I remember very clearly a day when I was out campaigning in the last election. It was in a Toronto Community Housing building where hundreds of residents reside. Most of those residents collect their only income through the social service system; they're on ODSP or OW. A few of them work hard at minimum-wage jobs. They woke up one morning to a door hanger on every door in that building, a door hanger from one of the so-called reputable payday lenders/loan sharks. The door hanger said, "Free coffee and doughnuts," just before the cheques went out.

I have heard that the average user of payday lenders is a middle-class person making between $30,000 and $70,000 a year. I have to say, that may be true somewhere, but it's not true according to the studies I've read, according to the studies that have been done by people like Chris Robinson at York University, a financial professor there. It's certainly not true in my riding. I think that anybody who has an area of poverty in their ridings will know that payday lenders/loan sharks target the poorest people.

I saw a wonderful film which I highly recommend. It's an American film called Maxed Out. In that film, they don't target payday lenders, interestingly enough; they target those who try to foist credit cards, as the member from Nepean-Carleton said, on the sometimes financially illiterate, sometimes just desperate-students and the like. A professor was asked to look at their lending practices and comment on them. This professor looked at their lending practices and said, to a room full of some of the largest banks and lending institutions in the United States, "If you just did not offer credit cards to this lower strata of 15% of high-risk borrowers, you would save over 50% of your bad debt loss." A little hand went up. One of the CEOs in the back of the room had been listening intently, and he said, "And so would over 80% of our profit," because what they know, and what the payday lenders/loan sharks know, is that where they make the greatest profit is from those who do not pay the loan back. Just like the credit card companies make their greatest profits not from those who pay their credit cards off in total every month but those who roll over the loans, who turn $200 of a micro-loan into $5,000 of debt or more: That's where the profit is. There's no question of that.

If you compare the 1,000% interest-and we're not inventing 1,000% interest, by the way. Again, it has been attested to by a number of journals, a number of articles, a number of studies: anywhere from 300% to 400% to 1,000% interest. It's hidden because it's in the secret little fees, the extra fees that are tacked on if you're late etc., but that's what it amounts to, and everybody knows it: 400% to 1,000%.

If you look at who gets charged that, you're not looking at upper-middle-class, middle-class, wealthy people in Rosedale or Forest Hill; no, you're looking at people who are desperate for money, who can't pay their rent, who can't feed their children, who go because everybody else has turned them down and this is their last resort.

I'm a big fan of The Sopranos. Loansharking used to be the purview of the mafia and organized crime. Now it's not just their purview; no, now it's on your street corner and my street corner. But hey, that was the same reason that people went to Tony: because they were desperate and because all of the established lenders had turned them down. You don't pay 400% to 1,000% interest if you don't have to. That's the simple truth.

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In my riding, we have payday lenders/loan sharks set up across from drop-in centres for those on ODSP and those who are homeless. We have them set up as close as possible to Toronto Community Housing developments. We have them set up where recent immigrants first come to Toronto, first move in, in the lower south end of Parkdale. That's where they set up. I have over 24 and counting in my riding alone. No question about it.

Now, to talk about Bill 48, and the problems. This is one of those classic Liberal bills. I spoke about two others this morning. I described them as, in Shakespeare's words, a lot of sound and fury signifying, in this case, not much.

Mr. Rosario Marchese: "Fair is foul, and foul is fair."

Ms. Cheri DiNovo: Exactly, as my friend from Trinity-Spadina interjects.

Here we're consulting on the taxpayers' dime. There's no question about it. In fact, our friend Bob Whitelaw-remember, I mentioned his name. Certainly, he's been worth his weight in gold to us as we structured Bill 224 to put a hard cap of 35%, which is what we in the New Democratic Party think should go ahead, and also for the press conference. This is a man who brings a specialized knowledge. After all, as I said before, he was the founding president and CEO of the Canadian Payday Loan Association for two years, and also the former president and CEO of the Canadian Council of Better Business Bureaus. He says it's not a necessary industry. Mr. Whitelaw says that credit unions could provide this service charging no more than 28%, and they would still make a healthy profit. It stands to reason.

For those listening at home, when the payday lending/loan shark industry says to us they can't make a profit at less than 150% to 200% interest, one has to question who these people are. After all, credit card companies and banks seem to be doing all right these days. They're surviving; right? They're paying their bills, they're paying their rent, unlike the people who use the payday lending association.

It's interesting, and just an aside for the people at home-certainly Mr. Keyes has left the assembly; I hope he's watching on television-you couldn't have seen a more stark contrast in our visitors in the members' gallery today. On one side we had Mr. Keyes, very well dressed, I must say; a lovely suit, a lovely shirt and a lovely tie; a former Liberal revenue minister. One wonders why they're not moving too quickly on this issue, because they're consulting with the head of the payday loan association, who was a former Liberal revenue minister. Perhaps that's why they're not moving quickly to help the poorest people in this province.

So there he was sitting, looking very smug, I might say, listening to his industry spoken about in glowing terms. On the other side we had community activist James Wardlaw of ACORN, the Association of Community Organizations for Reform Now. I'm sure James will not be insulted if I describe him wearing a shirt, a T-shirt, and a lovely lady sitting next to him wearing a T-shirt. Ordinary people have been working with ordinary people, working with the poorest of the poor in some of our poorest housing developments. ACORN is a phenomenal organization that has organized in a grassroots way, not only in Canada but right across North America.

Mr. Rosario Marchese: And successfully.

Ms. Cheri DiNovo:
Totally successfully, and which has been-and I should put this on the record-absolutely the real front runner on this issue, the one that has been there every step of the way. In fact, I took my lead from them. So we're delighted to have them.

Again, the stark contrast: the wealthy, the not so wealthy; those who are well-heeled and well-connected with the cabinet and the Premier, those not so well-heeled, not so well-connected with the Premier and his cabinet. And what is the result of that? The result of that is a bill that doesn't do much. Trust me, the only reason this bill exists is because of the James Wardlaws of the world and the incredible work that's been done, and-I have to give credit where credit is due-the Toronto Star, which came out in its editorial and supported my bill for a 35% cap on interest, which talked about others moving forward in this way.

Let's talk about those other jurisdictions. It's been said here in this chamber that we can't exist, first of all, without microloans, and I would say that there is some point there. Although I modelled my legislation on the Quebec legislation, with a 35% cap, I and I would say that there is some point there. Although I modelled my legislation on the Quebec legislation, with a 35% cap, I admit that we do not want to drive people underground. We do not want to drive people to pawnshops. We do not want to drive people to Tony Soprano, because although the interest rate might be better with Tony than it is with the payday lenders, we know there are some other consequences of dealing with organized crime that perhaps you don't have to face when dealing with the businesses called payday lenders. So we don't want that to happen. We want banks and credit unions to be able to offer microloans, and we have been fighting for this for a long time. There is a necessity for microlending in this country and in this province, no doubt. The only question up for discussion here is, is it necessary to charge 300% to 1,000% interest to do it? If an industry says they can't make money without charging 300% to 1,000% interest, one has to ask about the very nature of the industry.

The state of New Hampshire wrote this preamble to their law. Again, the Americans seem to like 36%. Quite frankly, we, in the New Democratic Party, could live with 36%.

Mr. Rosario Marchese: It's better than 1,000%.

Ms. Cheri DiNovo: Big time. This is the preamble to their bill:

"Findings and Intent. The general court finds that the rates of interest charged by many title loan lenders and payday lenders are unreasonable and predatory. Statistics available to the general court demonstrate some title loan lenders charge annual percentage rates of interest of up to 350% and payday lenders are charging up to 1,000%," similar to here. "The general court recognizes that due to the extremely short term of title loans and payday loans, documentation fees of even a nominal amount will cause such loans to have a high rate because the fees are included in the annual percentage rate calculation. However, the rates currently charged are unfair and improper. Therefore, to continue to make these credit products available to individuals who are otherwise unable to obtain credit, rates permitted ... must be capped ... ."

That's New Hampshire, that radical left-wing state.

Then, there's Oregon-hey, 36%.

I particularly like the example of the Pentagon. The McGuinty Liberals are less progressive than the Pentagon, which has offered a 36% cap to military personnel because they care about soldiers who have served their country and they care that they were being used and abused by the payday lending business. These are men and women who came back and were trying to establish themselves, who didn't have regular employment, who needed microloans and who were targets of the payday lending industry in the States.

So this is across the United States. If they can do it, if the Pentagon can do it, why cannot the McGuinty Liberals? It boggles the mind.

There's another dark side to the fact that we are so behind the curve on this, compared to other jurisdictions-of course, Quebec, as I've cited, with 35%; the American jurisdictions; now we've got Manitoba and others who are leading the way; and of course, as always, Ontario is following. The payday lending industry in the States is eyeing Canada. Why? Because we are a happy hunting ground. We're looking at, in fact, an explosive growth, according to Joanna Smith, of American loan firms moving across the border because we don't have regulations here.

"American firms are considering expansion into Canada as payday lending emerges slowly...."

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We're looking at "Advance America, Cash Advance Centers, a large payday-lending firm based in" South Carolina, which "opened 10 stores in Canada under the name National Cash Advance."

It's really interesting: They say down in the States that they see Canada as providing the "new growth opportunities" for stores that the American legislation has shut out.

Mr. Rosario Marchese: Can you believe it?

Ms. Cheri DiNovo:
Of course. If you have states that are willing to take their citizens' needs and rights and their own responsibilities as legislators to heart and to actually move to address what really is legalized-well, "legalized" is a strong word-unregulated loansharking, and we don't, those businesses that are being driven out of Quebec, being driven out of Oregon, being driven out of New Hampshire, being driven out of one jurisdiction after another in the States will come here. So instead of having 1,300-and-some

payday lenders across Canada, and 700 and growing in Ontario alone, we could see 3,000 while we consult, while we look at what we might be doing to actually bring in the necessary hard cap.

They're not resting; they're not consulting; they're expanding. They're not waiting for more experts to tell them what to do. They're smart business people. They see an opportunity and they're going for it. Their sights are firmly north, firmly towards Canada. So if you think it's scary now in your ridings where poverty exists, in terms of the numbers of payday lenders, let me tell you that the invasion has just begun.

Just to backtrack: This whole situation came about because the federal government had a criminal rate of 60%. Over 60% was considered criminal. It was considered loansharking; it was considered usury.

I hope that Ted is also listening because I'm going to appeal to Ted, who I'm sure is doing what he can. He has a cabinet to answer to. He has a Premier to answer to-his biblical nature. Because anybody of faith will know that all you have to do is look to all the great works of faith and you will find in those great works absolute statements about what usury and loansharking is. From the Koran, from the writings of Buddha, from the Torah, from the Christian Bible: All of these writings write about how criminal loansharking and usury is. We had a definition for what that meant in Canada at one time: anybody charging more than 60%. But the federal government downloaded to the provinces the responsibility of regulating that. So that's why we're having this discussion. We have been waiting and waiting for this government to regulate it, to pick up the mantle and to do something.

As I said, I'm pleased that we have an inch. I'm pleased that something has finally been brought forward. I'm also pleased that there will be consultation, in the sense that I hope that this government listens to the voices. I hope they listen to the voices, because some of the voices are pretty sad.

There was a story in my riding. I'll just bring it forward and I'll change her name. The press is always asking me for stories about people who have been used by payday lenders. There are hundreds of them, but it's one of those topics-and this is where I really suggest that people watch the Maxed Out film-that people feel such a great degree of shame about. People don't want to come forward and talk about how they're in debt for $5,000 for a $200 loan. They don't want to share the fact that they've gone bankrupt several times and that they've been evicted yet again. This is difficult for people; that's why they don't come forward. That's why we as legislators, in a very real ethical sense, have to do the speaking for them. That's why we have to bring their stories forward. That's why we have to bring what they know to be true, to be true here for all of Ontario, to this Legislature and do something about it.

We were not elected to consult; we were elected to lead. We were elected to act. We were elected to move where the rights of individuals, the rights of communities, are being shaken to the core.

"Hartley, a courier who earns about $600 a week, said he's recently declared bankruptcy-fallout from his divorce.... He has a bank account, but no line of credit.

"Two weeks ago, he fell behind on some bills and had to go for an advance at a payday loan company....

"`You can only get half of what your paycheque is,' he said."

The cost of $300 for two weeks was $60. I leave it to those with a head for math to figure out what that interest is on an annualized basis.

Here are the families that use payday lenders, according to those who have done the studies. Again, this is from the CBC. A study released Friday from United Way showed that "families with $500 or less in the bank were 2.6 times more likely to have used payday loans than those with between $2,000 and $8,000." It doesn't sound too middle class to me.

"Families who had been refused a credit card were more than three times as likely to have had a payday loan than those who had been granted a card, the report said."

These are who are using payday lenders or loan sharks.

One woman's $500 loan took five years to retire. In the end, the woman paid an additional $9,500 in interest and other fees. This is what we're talking about.

If there's a different definition of loan shark, if there's a more generous one that I'm not aware of, that I'm not seeing in my dictionaries when I look up the term, if there's a more generous definition of usury than I see when I look to both the Biblical text, the Greeks before them and the dictionaries, I would love to hear that from the opposition members. I would love to hear what they think a loan shark is that we're saving people from to send them to payday lenders instead, because I warrant that what you'll find is exactly where they're going, which is what we call payday lenders.

Let's go to ACORN, because they produced a really definitive work on this. Again, I thank those who've done the work. I know that Chris Robinson, the York professor, was very engaged in this work. Here's something that I would suggest the people at home really take to heart. It's interesting that we in the NDP are the only party-I have to say that-standing up for the folk who produced this report. One might ask: Why? Why are we the only party that is not in favour of payday lenders, who are in favour of people getting reasonable interest? By that, we mean 35% or less-nothing too outrageous-which is more than most credit companies charge. Why are we the only party that is standing up for those people?

I suggest that the answer to that question comes from where the other parties get their funding. If you were to go to a fundraiser of our colleagues the Progressive Conservatives and Liberals, who might you find there? It's interesting how things work in politics. You trace issues back to money always. "He who pays the piper calls the tune": We've heard of that. Interestingly enough, both parties have friends in banks, and interestingly enough, banks are invested in payday lending.

Toronto Dominion is more heavily invested in the predatory economy, owning over a million shares in payday lenders worth more than $50 million, including 250,000 shares in Money Mart, the largest payday lender and cheque casher in the country. I found this shocking, I have to say. Anybody who is invested in the stock market should really check their investment portfolio right about now and see if they too are invested in payday lender/loasharking businesses.

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Let's see: Who else? Interestingly, Ernst and Young-I'm going to walk through the ACORN study, because it's excellent. In 2004, Ernst and Young prepared a study for the Canadian Payday Loan Association that found that each first-time customer would end up taking out an average of 15 rollover or rewrite loans. One thing that's clear is that payday loan customers don't just walk away from their loans; they can't. Ernst and Young-there's a study. We heard that the average customer is well-heeled, has other options. Not so much, I don't think, unless you want to take it up with Ernst and Young.

Going through here, most customers do not know about or did not qualify for conventional overdraft protection, which generally has about an 18% or 20% rate-significantly less expensive, of course, than payday loans. Interesting. So there you go. That's interesting. The Royal Bank of Canada and affiliates-and I was shocked to hear this because I'm a Royal Bank customer. I might think twice, as might others, to look at their holdings again and who they do their business with. The Royal Bank of Canada and their affiliates own a huge number of shares in Advance America, CompuCredit, Dollar Financial, EZCORP, First Cash Financial, World Acceptance Corp: again, predatory loan-shark payday lenders. This is shocking. I know Scotiabank also is involved in that.

Interestingly, the issue was brought to my attention by a person in my constituency office-and I should mention and give him credit too: Gregor Campbell-when he discovered that his own parents, unbeknownst to them, were invested in payday lenders through their stock portfolios. So, again, look at your stock portfolios, look at your banks, see where they're invested.

ACORN concludes with five very significant and, I think, simple recommendations:

"(1) Banks should divest their stocks from all institutions that are part of the predatory economy, such as subprime mortgage and payday lenders."

You thought subprime was just an American problem? It's not. It's here.

"(2) Banks should seek ways to improve their current services and products to better meet the needs of consumers who use payday lenders."

On that note, it's interesting. I was part of a wonderful pilot project in Parkdale, called the Parkdale Banking Project, in which we sat down with the banks and we asked them, "Why are you pulling out of poor neighbourhoods? Why can't people who primarily get their income through minimum-wage ODSP or OW have access to the banks the way they do in the wealthier neighbourhoods?" Actually, to give the Royal Bank its due, they did open a Cash 'N' Save on Queen Street in Parkdale as a result of that Parkdale Banking Project. No microloans yet, but one of the things-and it was significant-is that they loosened up the requirement around identification. Those who are homeless, those who are on ODSP, those who have any kind of challenge, whether it be physical or mental, sometimes have problems keeping enough identification and keeping their bank accounts straight. This bank offered to work with them. We wish all banks would do that, and make microloans. But, as you heard, we certainly have credit unions that are willing to do that-and at 28%.

The next point, and this ties in to ACORN's demand:

"(3) Canada's credit unions should implement alternative payday loan programs, such as those used by some U.S. credit unions."

Again, I circle back to my main point, which is that nobody is saying there is not a market, or should not be a market, for microloans, and I'll have something to say in a moment about the poverty that, of course, breeds that market. But the need is there. We do need microloans. What we don't need is 300% to 1,000% interest for those microloans. Certainly, what we do need is a reasonable interest rate, which I think anybody at home, anybody who thinks about it for more than a minute, would agree is 35% or less.

"(4) Banks should learn from predatory lending problems in the U.S. and work to better serve those customers who are targeted for subprime mortgages."

We'd better hope that we don't have the continuing downturn in the economy in Ontario; otherwise, we are a market also for the kind of insanity that has gripped our neighbours to the south. Anyone who's travelled to the States can attest to the fact-I came back from Florida with my daughter and saw dozens of houses owned by the bank, dozens of houses that had been repossessed. Why? Again, you're looking at people in great need of money who aren't getting it-not enough to live on. That's who this predatory industry-payday lenders/loan sharks-preys upon.

"(5) Banks that have a subprime lending division should implement policies so they are not just referring customers down to the subprime division from the bank, but the subprime division refers customers with good credit up to the bank." Thanks to James Wardlaw, who's here, and thanks to ACORN for the phenomenal work and the grassroots organizing they've done around this critical issue.

At the end of the day, the people who are preyed upon, who go to loan sharks and payday lenders, the people who are charged the 800% to 1,000% interest, are not the people from Rosedale or from Forest Hill, and they're not from Riverside Drive; they're the people who are desperate for funds.

I checked. You can get a loan for 4.75% these days if you have a good credit rating, if you have money. In a kind of strange sense, you can get an inexpensive loan if you don't need it. If you don't need it, you can get as much money as you want and be charged as little money as can be charged for it. If you desperately need the money-if you can't pay your rent, if you can't feed your children, if you're about to get evicted, if you can't make it because your $8.75 an hour you make when you work 40 hours a week just doesn't pay for all of those things in any city in Ontario-then you get charged between 300% and 1,000% interest.

One has to wonder at the logic and the justice of this; one has to wonder at who this logic and justice serves. It certainly doesn't serve the folks who are making $8.75, who are making the ODSP rates, who are on OW; it doesn't serve them. It doesn't serve those who use the payday lenders: Even if they're making $30,000 to $70,000 for a family, that's not a lot in the city of Toronto. People are finding that that's not a lot. It's true: We are increasingly destroying the middle class in this province; we are increasingly seeing a gap grow between those who are extremely wealthy, who don't need the loans but who can get the loans at a very cheap rate, and those who are very poor, who really need the loans but have to pay usurious rates to get them.

That's the background behind this discussion: The ugly background that nobody has addressed here in this House this afternoon is poverty-the poverty of the province of Ontario, where one in eight children are poor, where one million people on minimum wage make the poverty line or less and work 40 hours a week. That's the backdrop to this: The backdrop to this discussion is the 200,000-and-growing good manufacturing jobs that have been lost and the call centre jobs that have replaced them; the backdrop to this conversation is the utter misery of those families who just try to get by and can't. They cannot get by on what they earn. That is what the LICO, the poverty line cut-off, means.

But it's interesting that the government's approach to payday lending is the same approach they have taken to the issue of poverty in general. The approach they have taken to the issue of poverty in general is to strike a committee to study the problem. A housing activist said to me the other day, "What those who are in need of housing need"-the 170,000 on the housing waiting lists in Ontario-"is not to be addressed but to have an address. That's what they need." But this government isn't interested in that; they're interested in addressing them, not giving them an address, so they're consulting with them.

1700

We see in the budget that came forward not one line item for new affordable housing. There's $100 million that fixes up, patches up, existing affordable housing across the province when Save Our Structures has asked for $300 million for the city of Toronto alone, and that's just to patch up the housing we already have. Again, there are 170,000 households-not individuals-waiting on the list for affordable housing in the province of Ontario. That's the backdrop. What happens in such a scenario?

My father was a product of the dirty thirties, as he used to call it. When I was a little girl, he used to talk about growing up in the city of Toronto, in downtown Toronto. He used to talk about the days when they had soup kitchens and lineups for food. He remembers when there used to be people sleeping on grates in the city. I remember as a little girl saying, "No, not in Toronto the Good, not in the city of Toronto. People sleeping on the street? People lining up for food?" We all know in this House, we know at home, that that's our reality now. That's where we are right now. That's what we live with in the city of Toronto and know at home, that that's our reality now. That's where we are right now. That's what we live with in the city of Toronto and across Ontario, just like then.

Back in the dirty thirties, as he called it, unregulated predatory lending became a real problem. We've all seen the movies that came out of the 1920s and 1930s, the gangster films. Predatory lending was the criminal response to the need for money by people who were starving, in some instances, going to bed hungry and certainly going without work. That was the response back then, and guess what? That's the response now.

There's a good reason why the payday lending/loansharking business is exploding across Ontario. It's exploding across Canada, where it's not regulated. The only place with a hard cap right now is Quebec, where there is not one payday lender. It's exploding where it can because the need is there, because people are going to bed hungry, they can't pay their rent, they don't have affordable housing and their children are poor despite the fact that they're working as hard as they can. That's the backdrop for all of this.

So what's the response-just to go back-of Bill 48? Again, just like the response to poverty itself, we have a response that says, "More consulting is necessary." It would be interesting to know how many studies have been done on poverty. I think the studies that have been done on the payday lending industry could probably compete with the studies done on poverty. We might be able to build houses out of them. That might be something useful from all the studies done, because I'm sure the studies done on defining poverty and what poverty means would pile from here to the top of this legislative ceiling-lots of studies; no action.

What does Bill 48 fail to do? It fails to put a hard cap on the criminal fees and interest rates charged by lenders. It legislates that payday loan agreements disclose to borrowers the annual percentage rates-interest and fees. If you can't pay your rent and you can't feed your children, do you think that informing somebody who walks into a payday lender about how much they're actually going to pay is going to make a difference? I don't think it will. I think if you're desperate for that money, if you need that money or you face eviction, you just say, "Whatever," and you sign. It's not a question of posting the fees. It doesn't matter. The fees could be 2,000%. People who are desperate for the money, if that's the only place they can get the money, they'll get the money. They'll sign, because what other choice do they have?

It promises to increase the transparency of the industry by requiring an annual report to the minister on the use and cost of payday loans, complaints, default information and recommendations. Come on-like that's going to help. A usurious industry, an industry that really is a loansharking industry by any definition, reporting on what they're doing to a government bureaucrat is going help the person who's desperate and needs the loan. On what basis is that going to help anything?

Another thing it doesn't regulate is it allows interest to be charged on borrowers in default. Surely the very least you could do is to address that issue. One of the interesting differences between Bill 48 and Bill 224, which is the bill that we brought in to actually set a hard cap of 35%, is the maximum fine. Not only does Bill 48 not set a hard cap, but the penalties-and remember, we're talking about an industry that one can only imagine the profits that are being made. It would be very interesting to know exactly what profits are being made. One might suspect that when you're charging 300% to 1,000% interest, your return on investment, considering it's a storefront and people are probably being paid minimum wage behind the counter, is probably pretty great. It's probably pretty substantial, your return on investment there. The maximum fine charged to a licensee is $10,000. We proposed a maximum fine of $50,000 for individuals and $250,000 for corporations.

Again, we see a typical McGuinty Liberal approach to a problem, any problem: Consult, don't act, and put no teeth in the legislation, so that even if it is passed, quite frankly, it's better as a business person, I would imagine, in the payday lending/loansharking business, to simply barrel ahead and pay the fine. Certainly we've seen other industries conduct business that way, because it just simply makes sense.

I have, believe me, nothing against small business. In fact, I had a small business, and I'm the small business critic. I want to see small business profit and prosper in the area of Ontario. These are not small businesses; these are some of the largest corporate-sponsored businesses we know. That's who's setting up in your neighbourhood and mine on the corners. They are the ones to be most frightened of.

I can tell you that in my riding, the small business retailers, the others who are sitting next door to them, don't like them. They don't want them there. They know that when you see the payday lender open up next door, it means the whole tenor of the neighbourhood is collapsing. It means that people will be less likely to walk into their store because the payday lender is next door. It is a sure signal to the community, to the small business owners, that this neighbourhood is not so good. It's not looking so good.

Mr. Rosario Marchese: Time to move, eh?

Ms. Cheri DiNovo:

Ms. Cheri DiNovo:
Time to move. Quite frankly, that's not what small business wants. I don't see payday lenders showing up for BIA meetings in my riding. I don't know about you; I never see them at the table. I don't see them there consulting with other small business owners. I don't see them contributing to the community. I don't see them putting money into the community. I certainly see the money going out of the community, but I don't see them at the table when discussions are made around, for example, beautifying streetscapes or beautifying even the facades of their own businesses. They're not in those discussions, and they're not there for a reason. They know better than anyone who they are and what they're about. They know better than anyone what the true nature of their business is. We all know what the true nature of their business is.

The only question before us-because as I said, there's no question that we will support this because at least it's an inch. We'll support this because at least we're moving forward.

Mr. Rosario Marchese: What else are you going to do?

Ms. Cheri DiNovo:
What else can we do? It's a majority government. They get to do what they want, when they want. We'll support any little crumb. I used the Oliver Twist metaphor at one point. We're like Oliver: "Please, sir, just a little more." Here we are again at the table: "Please, sir, just a little more." Anything, any crumb to help those who are in need food, is better than no crumbs at all.

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But I have to say this: When this consultation happens, I would love to see-I'll make some recommendations to you as to whom I'd like to see on there. I would like to see James Wardlaw there; I'd like to see somebody from ACORN. They're the ones who brought this forward.

Perhaps Bob Whitelaw; I can think of no more proficient expert in the field than somebody who was actually the founding president and CEO of the Canadian Payday Loan Association and is now working for the credit union industry. He should be on it for sure, because he's looked at both sides now. I think there's a song about that: "Both Sides, Now." He's looked at both sides now.

He's been working in the payday lending industry and he's now working for the credit union industry. So when he appeared on our panel, when I tabled my Bill 224, asking for a hard cap of 35%, he was a wonderful expert witness to have because he knew what every jurisdiction had done. He knew the profit margins. He knew and consults with the credit union industry because he knows that you can make money at 28%, he says. You could make money at 35%. It's staggering.

I have to say that another group that's using payday lenders/loan sharks that hasn't been touched on is seniors. Seniors are some of the major users of payday lenders/loan sharks. They are, and they're on fixed incomes. Again, they don't read the small print. They're just desperate. They just need to get by, month to month.

He knows that you can make money charging what anybody would see as a generous rate of interest, and you can still make money. I have yet to hear anyone in the payday lending industry describe to anyone why you can't. If a credit union can make money at 28%, if a credit card company can make lots of money at 28% or 29%, why can't the payday lenders/loan sharks make money at 28% or 29%? Why? One has to ask, why?

It's interesting, in our riding, and I cite Peggy Nash for this: She's done a wonderful little project which is just to inform seniors and others that you can phone up your credit card company and just with negotiation-just negotiation-get a lower rate of interest. People don't know that. Hey, now you do.

Mr. Rosario Marchese: If you're a good customer.

Ms. Cheri DiNovo:
If you're a good customer, and you're paying 28% or 29%, phone them up-there's lots of competition in the field-and say, "You know, Citi Card, around the corner, is offering 9%. Will you match it or come halfway?" Almost invariably, they do. So you can negotiate with some of the biggest credit card players in the industry.

It's funny, you can't negotiate with payday lenders, sort of like Tony Soprano in that way. You can't negotiate with them. You can't phone up your payday lender and say, "You know, 800% to 1,000% interest? I have difficulty paying it. Could we maybe get 350% interest instead?"

Mr. Rosario Marchese: "Okay, maybe we'll negotiate that."

Mr. Rosario Marchese: Okay, maybe we'll negotiate that.

Ms. Cheri DiNovo:
You can't. Again, the true nature of this particular beast is shown, I think, in that very example alone. Just like Tony Soprano, you can't negotiate with payday lender/loan sharks. You just can't.

This is, finally, the situation we face. We face a lack of regulation still. Even if Bill 48 were to pass tomorrow, we would still have no hard cap on interest rates, which would mean you're still going to be paying over 300% in interest when you go to a payday lender, despite the fact that the downloading of this responsibility for regulation happened years ago, and that other jurisdictions, other provinces, have acted-and acted decisively, I might add, as in the question of Quebec, but certainly also in the question of Manitoba. One might ask, since Manitoba has already done the groundwork, why can't this government just look to Manitoba? Or, better, why not wait and bring in a bill that actually has a hard cap? Why waste taxpayers' money anymore? Again, that's what we're doing. Remember, we will be paying between $1 million and $2 million to consult on this issue. I bet the members of ACORN would like to share that $2 million across the board. If you just went to the members of ACORN and said, "Here's two hundred and fifty bucks each," I think they'd be very happy with that. They'd tell you everything you need to hear about payday lending. Instead, no, we'll be paying for consulting, we'll be paying for legislative time. It amounts, by the way-because there are about 700 payday lenders in Ontario-to just over $2,000 per payday lender to study payday lending. Studies that have already been concluded in other jurisdictions, information that's easy to access-just go on the Internet. It's a stalling technique, and we get that.

I go back to that very pithy, I thought, example of the difference, just standing here in this assembly-looking at the one person who showed up to attest to this debate wearing a very nice suit, and the other who wears a work shirt. The one who has a very well-paid job, I'm sure, as the head of the Canadian payday lending association and probably a very well-paid job before that, as a Liberal revenue minister-contrast that with a grassroots campaigner, organizer and family person who's simply trying to help his neighbours out, who's simply trying to help all those who are being preyed upon by this industry.

Trust me, inaction, as I've said, is expensive. It's also expensive in two other ways. Number one, the huge influx from the United States of payday lenders, of loan sharks-I picture them amassing on the borders, as we speak, because as they regulate down there, with their 36% caps, they will come here to charge their 300% to 1,000% interest. Certainly, that will happen. But most importantly, what will happen from inaction, from not setting a hard cap, is that hour by hour, as we speak, as we sit, as we write, as we listen, as we legislate, people are walking in the doors of payday lenders and loan sharks right now; people who can't pay their rent, people whose children will go hungry if they don't get that microloan, people who will be evicted if they don't get that microloan, people who can't quite make it to the next pension cheque because they don't get that microloan. And once they get their hands on them, just like Mr. Soprano, they're not going to let go. While this government-there was an Emperor Nero, wasn't there?

Mr. Rosario Marchese: Yes.

Ms. Cheri DiNovo:
My Italian colleague here remembers an emperor who fiddled while Rome burned. Bill 48, despite, I know, Mr. McMeekin's best intentions, is a form of fiddling.

Mr. Rosario Marchese: It's not about him. It's the Liberal Party, really.

Ms. Cheri DiNovo: It is. We need to lay that responsibility where it should be laid: not at Ted's feet, but at the cabinet and the Premier's feet, because we know where the decisions come from in this place. They don't come from this side of the House. They don't even come from that side of the House. They don't come from the backbenchers, many of whom, I know, have payday lenders in their ridings and wish they didn't. It comes from the Premier's office. That's where the buck finally stops; in this case, a buck that will rapidly become $300 to $1,000 in the hands of a payday lender.

I can't say it's been a delight to talk about Bill 48. I wish we were talking about a hard cap. I wish that we could walk from this place this day and assure all those people who are walking in and out of payday lenders, as we speak, that they're not going to be charged usurious loansharking rates, but that they're going to be charged something within the realm of reason. I wish we could assure people of that. We can't. We can't. We do what we can. We do what we can, so we'll work with this administration. We will work with this bill. We will try to give this bill the teeth it needs. We will try to fight for a cap of certainly no more than 36%, which seems to be the American answer to this problem-certainly no more than that; certainly, and hopefully, somewhat less than that.

More importantly, we in the New Democratic Party will work for the day when we don't need these lending institutions at all, because we here, who are not financed by banks and insurance companies, know who we speak for, and that is all of those who suffer, the ones who lost their jobs-the 200,000-those one in eight children who live in poverty. Those are the people whom we are fighting for. Those are the people whom we're standing here speaking about. Those are the people, finally, who need an answer, and they need action, not more talk.

1720

The Acting Speaker (Mr. Jim Wilson): Questions and comments?

Mr. Reza Moridi:
I rise in this House today to speak about Bill 48, Payday Loans Act, 2008. Before commenting on this act, I would like to commend my colleague the member from Mississauga South and the parliamentary assistant for bringing this bill to this Legislature. I also wish to commend the minister for his initiative in bringing up this legislation-

Applause.

Mr. Reza Moridi: -and I wish the minister well.

The spirit of this bill is along the lines of the government's policy of reducing poverty. We know that people who use the services belong to the working class. They are poor people. They are not rich people. They are people who are on social assistance. They are working-class people. These payday lenders charge significantly high rates. Some of these people are back-to-back borrowing money from these lenders. Once they enter into the circle, it's very, very tough for them to get out of this circle. They enter into the circle and they remain in that circle for years and years to come.

I am pleased to hear that the NDP is supporting this bill, but I have a question. In the past, 14 years ago or 16 years ago when the NDP was in power, why didn't they bring in this bill? They had the time and they had the opportunity to bring in this bill, and even to ban payday lenders in this province, which they didn't at the time. But that's the past.

The spirit of this bill, when you look at it, is that we want to bring some discipline to this business, to this industry. Currently, there is no discipline. Currently, they can charge whatever rates they want to the borrowers. The spirit of this bill is to help the working-class people of Ontario, to help the borrowers, to help the people who are on social assistance. When you look at the elements of this bill, you will see-

The Acting Speaker (Mr. Jim Wilson): Thank you to the honourable member. Further questions and comments?

Mr. Ted Arnott:
I'm pleased to respond to the member for Parkdale-High Park with respect to her comments on Bill 48. I was interested to hear the response of the Liberal member from Richmond Hill, who seemed to suggest that the member for Parkdale-High Park should be responsible for the lack of action by the Bob Rae government between 1990 and 1995. It's ironic. I don't think I would blame the member for Parkdale-High Park for the inaction of the Bob Rae government from those years. Certainly, she wasn't here during those years, and it would perhaps be a bit unfair to blame her for the lack of action in that regard.

Certainly, in my riding, these payday lenders have proliferated in recent years. I've been quite concerned about it for some time. I think all of us in this House would agree that usurious interest rates should be prohibited. I believe, in many cases, people are borrowing money just to make ends meet until they get their paycheque, and in some cases, they have good reason to be very concerned about the interest rates they are paying. I think we should all be quite concerned, from a public policy perspective, as to whether or not the government must take action in this regard.

The Minister of Government and Consumer Services, Ted McMeekin, has brought forward this bill, and it's appropriate that he do so. But I also believe that there should be extensive public discussion on this issue, and I hope this bill will go to committee for public hearings. More work needs to be done. Certainly our caucus is prepared to roll up our sleeves and work with the government to try and get this bill right, to ensure that the public interest is protected.

I know the Minister of Government and Consumer Services quite well and I consider him a friend. I expect he's watching this debate and I want to wish him all the very best for a very speedy recovery, as he continues to get better, so that he can return to this House.

Mr. Rosario Marchese:
I want to congratulate my friend from Parkdale-High Park for being unflagging in her advocacy and indefatigable in her defence of the poor and the vulnerable. She did this for a whole hour. It was an admirable kind of presentation of views that some people listened to and some people didn't.

some people listened to and some people didn't.

Imagine having to defend why the interest rate that is charged to poor people shouldn't be more than 35% or 36%. I find paying more than 6% criminal, and here we are, trying to persuade the Liberals that it would be nice to put a cap of 35%, certainly no more than 36%, on interest rates, as if this was a big, big deal. It is a big deal for poor people. It's a big deal for middle-class people and it certainly is a big deal for wealthy people, who would never pay those kinds of rates, who would be here demonstrating at Queen's Park should they be charged those kinds of rates. They would be rioting here and in Ottawa should they be charged those rates by banks or anyone else. Here we are, talking about the Liberals putting a cap-

Interjection: We're going to do better.

Mr. Rosario Marchese: This is not an attack on my friend for Mississauga South. He's just a PA; he's just ushering the bill. It's not an attack on Minister McMeekin. He's a nice guy. That's not the problem. It's a Liberal problemo. It's the way Liberals do things: announce and defer, announce, reannounce and post-announce. That's what they do. Every little package of things becomes a remarkable achievement by Liberals.

All we're trying to do is persuade the Liberals that putting a cap of 35% is a reasonable thing. How can anybody think otherwise? Why wouldn't the member from Mississauga South defend that and say, "Yes, we're going to go with a cap"? That's what I expect the Liberals to do.

Mr. Charles Sousa:
I'd like to thank my colleague from Richmond Hill, as well as the input from the members for Wellington-Halton Hills and Trinity-Spadina. I appreciate the comments of the member for Parkdale-High Park. I respect her passion on this critical issue. I am among those in the gallery who share a common concern to protect the consumer. I appreciate that the member acknowledges that she will be supporting the bill.

We spoke about the studies and the makeup. The studies indicate that payday loan users are younger than the general population and have an average income of $35,000 to $40,000. Environics and Ipsos Reid studies of the Canadian payday industry indicate that the borrowers' household incomes are lower than the general population, 49% of which have incomes lower than $35,000. They're more likely to have dependent children-47% of them-and are less likely to understand the true costs of their loans: 37% believe that the cost is the same as or lower than credit-card interest. Significantly, there are studies commissioned by the industry that also reveal that approximately 25% of their clientele have household incomes that are near or below Stats Canada's low-income cut-off measure.

My respected colleague also spoke about the banks and credit unions, noting that they do not provide payday loans. Banks, trust companies and most credit unions have exited the small, short-term loans market. Most of their customers have other vehicles at their disposal to provide funding for the brief periods when they run short of money or experience an emergency. Examples include credit card cash advances, overdraft protection and lines of credit.

These financial institutions claim that they are unable to provide a payday-loan-type product profitably within the 60% rate permitted under the Criminal Code. Additionally, banks and trust companies are excluded from the amendment to the Criminal Code in federal Bill C-26, which creates conditions exempting payday lenders from criminal interest provisions. Credit unions and savings unions have considered offering a payday-loan-type product as part of a full suite of their credit products for their customers. However, there's been no action to date.

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The Acting Speaker (Mr. Jim Wilson): The member for Parkdale-High Park has up to two minutes to respond.

Ms. Cheri DiNovo:
First, to the comment about the former administration of Bob Rae, I quote the incomparable words of the member from Welland when he said, "We hope that Bob Rae does for the federal Liberals what he did for the Ontario NDP." So, carry that with you as you go home.

Second of all, there are a few facts to be corrected. Payday lending didn't start as an industry until around 1993 or 1995. It's hard to go back that far, but it really exploded on the scene in the mid-90s. The United Way has charted the course of payday lending as an industry and its explosion in that period of time. It wasn't around even in Bob Rae's time.

I want to say again to Ted McMeekin: Thank you for doing something; thank you for taking a step. I hope you get back soon. Our prayers are with you. Thank you for being a friend. Thank you for being a stand-up guy. This isn't your fault.

Our prayers are with you. Thank you for being a friend. Thank you for being a stand-up guy. This isn't your fault.

Thank you to the member from Mississauga South. Thank you for doing what you need to do as a backbench Liberal. It isn't your fault either.

Thank you, member from Trinity-Spadina. It certainly isn't your fault. You're speaking with passion on behalf of the poor, speaking with passion on behalf of what makes sense.

We are talking about the McGuinty Liberal government, which is showing itself to be less progressive than the Pentagon, which wants 36% for military personnel. Less progressive than the Pentagon: Carry that with you.

I want to thank ACORN for being here. I want to thank them for all the work that they've done.

I also want to thank the United Way for their landmark study, from which I drew in my hour-long presentation, and for showing that this is a significant part of the problem for the poor in poor neighbourhoods.

So, thank you to all. We in the New Democratic Party will continue to work. We'll work with what we can, but we wish we finally had a cap of 35% and had passed Bill 224.

The Acting Speaker (Mr. Jim Wilson): Further debate?

Hon. Harinder S. Takhar:
I appreciate this opportunity to have the chance to speak about the act that is going to regulate payday loans.

First of all, I really want to thank my colleague from Mississauga South. He has done a wonderful job today and is a great addition to our caucus. We are so proud to have him in our caucus.

I also want to thank the minister-I'm sure he's watching somewhere-for moving so quickly on this bill. We are very proud of the kind of work that he had done on this bill before he brought it to the Legislature and the consultations that he has undertaken to come to this stage.

This bill is important because it is about protecting the poor and the vulnerable in our society. That's why I think it's important for us to really move ahead with this legislation quickly: so that we can protect the vulnerable in our society. When people need money and sometimes don't have bank accounts, they go to these payday loan houses and borrow money. Sometimes the cost of borrowing that money is very high. We can't just talk about the interest; we need to talk about the total cost of borrowing. That's what this legislation really addresses.

Mr. Speaker, you may know that my background is in finance. I'm sure that when most of my colleagues go to the bank and want to borrow money, it's not just the interest that you look for; you look for the service fees, you look for the flat fees that the institution charges, and then you come up with that.

Let me just give you an example. If you are borrowing $1,000, even at 17%, month after month after month, the yearly cost comes to about $170, which may not appear to be a lot. But if, at the same time, there is a fee for the administration of the account, which could be $8 per month, it adds up to another $96 a year. Then there could be some other charges, like the cheque-cashing charges and so on. So, the total cost of borrowing could be quite substantial. It could be almost two and a half times the cost of the interest.

What is really important here is for us not only to look at the interest but to look at the total cost of borrowing. That is really important to everyone. That's why this legislation actually moves quite a way ahead on that front.

This legislation basically does some of the following things: It requires lenders and brokers to be licensed, and that's the right thing to do, so that we know that these people are the good people and they are regulated and licensed.

This legislation also suggests that there should be an authority to regulate or set the total cost of borrowing. In that regard, what is being proposed in the bill is an expert advisory board which will recommend the total cost of borrowing for payday loans. This advisory group will come from social and poverty groups, the business community and academic people. We are bringing all sorts of experts to say that what is really important here is the total cost of borrowing and what level it should be set at. So those people will give us some advice on that front.

The board will consult for input before they make recommendations on the upper limit of the total cost of borrowing for various payday loan agreements. Very soon, the interested parties will be able to make presentations and talk about where this limit should be set, if that's what is required.

But what is also really important is that, for the people who get into this trap-you know, they borrow this month, then they borrow next month, and so on and so forth-this proposed legislation prohibits back-to-back and concurrent loans as well. What happens is, sometimes you do these things on the spur of the moment and you don't realize you have signed an agreement. It has happened to all of us at certain stages or certain points in our lives. What this legislation allows is that if you have entered into an agreement and you think it's not a fair agreement, it gives you at least 48 hours to get out of the agreement.

Mr. Jeff Leal: That's very important.

Hon. Harinder S. Takhar: As my colleagues here at the back says, it is really important.

Then again, it proposes some serious penalties for lenders who break the law. So on the one hand we are saying that we need to regulate them and then we are saying we will set up a total-cost-of-borrowing limit with the assistance of the experts. We are also suggesting that there should be no concurrent loans and that people should be able to get out of these agreements within 48 hours. It also imposes serious penalties. So it basically covers a lot of angles.

But we have to see why people do this. Some of these people who are borrowing money are the people who actually can't go to banks. They cannot borrow at rates that other people can borrow at. These payday loan houses also provide a useful service because they meet the needs of the people who need to borrow money when they really need it. We need to be fair to both: We need to make sure people are not being taken advantage of but at the same time we need to make sure that our small businesses are also looked after.

If we set an arbitrary rate-which is being suggested and which is also being proposed by some other provinces-let's just look at what will happen. If you set an arbitrary rate and you don't take into account the fact that business people have certain costs under which they operate-that's why we need to have this expert panel. It will take into account what will be a reasonable total cost of borrowing. If you don't do that and you just come up with an arbitrary rate in the legislation, what will happen? These houses will disappear. They will go underground. If there is a niche or a market need that they fill, how will that get filled if they go underground? Where will these people go to get money? What will happen is that these activities will still go on, but they will not be above-board, they will be underground. And if they go underground, the cost of borrowing will exceed even what is happening right now.

What we want to do here is to make sure that we are fair to the people who are borrowing money, but we are also fair to the people who are lending money as well. This bill actually does both of those of those things in a very reasonable manner.

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I think it's important for us to understand how important these small businesses are for us as well. In our province, 99% of our businesses are small businesses, and they create almost 50% of all the jobs. Most of the new jobs are also created by the small businesses. Not only that, but I think $230 billion worth of economic activity is being created by the small businesses as well. We want to make sure that the small businesses, not only the star businesses, thrive and that we create the right kind of environment for them as well, as we move forward.

So from my point of view, when I look at this, I will say this is very good legislation. It has been well-thought-out. They have done extensive consultation on that front, and I see there were 20 written submissions here; 76% of the respondents were in favour of seeking designation under federal Bill C-26, 69% of the respondents supported licensing and 87% of the respondents supported limits on the cost of borrowing. If you look at all of the submissions that we got and what is included in this legislation, you see that most of the submissions that were given to us have been taken into account.

In the end, I feel that this bill strikes a good balance. It strikes a good balance between the needs of the business community and protecting the poor and vulnerable in our society. We need to move ahead with this quickly, and that's why we need the support of everyone. I want to again thank my colleague from Mississauga South and the minister for the work that he has done on this bill. I'm very proud that I will be able to support it.

The Acting Speaker (Mr. Jim Wilson): Questions and comments?

Mr. Rosario Marchese:
I want to react to the Minister of Small Business and his comments. He says, "Interest rates are not the only issue of concern"-and I agree with him-but what does he say about interest rates? I don't remember hearing what you said about that. I bet that if the Minister of Small Business had to go and get a loan and he was charged 35%, he'd just go ballistic-that would be my sense-and if he was charged 60%, he would go nuts; I am convinced he would go nuts. He would say, "This is insane"-and he's a financial guy. I know he would say that.

he's a financial guy. I know he would say that.

Yet when we're talking about poor people who have to go and get a loan because they can't get a loan from the bank, and they have to go to these other institutionalized sharks, he's saying, "No, interest rates are just not enough of an issue to worry about. There are other considerations." I say that interest rates are a huge consideration. If some of you are concerned about not fixing a number, why can't we go with 10%, 8% or 15%? We can adjust it another time. Why don't we do that for those who say, "We don't want to come back again; if we fix a number and we change our minds, we'd have to come back again"? Go with a lower number.

But, surely to God, it should be sinful in the minds of many Liberals that those who go-and they're not middle class; they're not financial planners; they're not rich bankers. No, they're people in need. The middle class go to the bank to get their loans because they get a good rate and a better rate. It's working people, and in some cases poor people, who go to get a loan. Why wouldn't we protect them from predators? Why wouldn't we make that effort? Why do we say it's okay?

This is what troubles me when Liberals speak about this, intellectualize and say, "Interest rates are not the only issue. There are other issues," yet do not comment that the interest rate at the moment is very high-

The Acting Speaker (Mr. Jim Wilson): Thank you. I thank the honourable member. Further questions and comments?

Mr. Mike Colle:
I'd like to thank the Minister of Small Business and Entrepreneurship. He is a very practical, pragmatic person who has walked in the shoes of small business people. He has walked in the shoes of a newcomer to Canada. He has done it with his own blood, sweat and tears. He doesn't embellish things to the point of being unrealistic; he says, "We've got to do the best we can." This bill is a pragmatic attempt and a reasonable attempt.

Certainly there are some Pollyannish ideas out there about how we have to everything perfectly, but when they were in power, our NDP friends, they didn't even talk about this. They opened the floodgates and let them in when they were in power, and they blame one person. They were there in silence as they let all these people in. So we are trying to fix some of these things. We're not going to fix them perfectly, but it's a very valid attempt to correct a situation.

What I want to talk about is an interesting phenomenon that is occurring, and that's the responsibility of the banks. I don't know if you've noticed, but in certain areas or neighbourhoods that are a little marginalized, all of a sudden, the first to leave are the banks. I think the banks have some responsibility before they leave a neighbourhood, because they came into the neighbourhood when the neighbourhood was doing quite well, and they were doing quite well financially. Do they not have a responsibility to stay? I know I get complaints from some of my local residents and small business people who say, "I can't even go to a nearby bank anymore. I have to drive 20 minutes or a half-hour to make a small deposit in the bank," because the banks have closed their shops and many of their buildings are now auto parts stores, Pizza Pizza places. I think our banks have a responsibility to stay in our neighbourhoods to make sure that they help people who need reasonable loans and financial support. They shouldn't leave when the going gets tough.

Mrs. Joyce Savoline:
I too want to congratulate the member from Mississauga South, who so ably carried this bill for the minister, and I too want to wish Minister McMeekin the best in his recovery. He has a riding adjacent to mine and we have many good conversations about hospital issues and other things.

I will be supporting this bill today; however, I think there is a bit of a double standard in here and that there needs to be some attention paid to how it moves forward through committee. The industry is relatively new. I mean, it's only really been going in Canada since the early 1990s, and it has been an unregulated industry. When all the fees are added, whether they are the set-up fees or the broker fees or the verification fees, and you add that to the interest that is applied to the amount that's borrowed, it far exceeds any maximum rate that's permitted by law. I think that is a very unequal, unfair, unlevel playing field for those people who find themselves in the challenging predicament of having to take a payday loan.

So I think it's necessary to have the full public consultation, as I truly believe all of our bills should have, and what I would stress is that I feel the cooling-off period that's being suggested is the right thing to do. A person should have the right to cancel the loan within one business day of applying or of receiving the initial advance. There is also the ability of the government to set a cap on the rate of interest. I think those are very important elements that need to be considered.

The Acting Speaker (Mr. Jim Wilson): Further questions and comments?

The Minister of Small Business and Entrepreneurship has up to two minutes to respond.

The Minister of Small Business and Entrepreneurship has up to two minutes to respond.

Hon. Harinder S. Takhar:
I'm very thankful to the member from Trinity-Spadina, the member from Eglinton-Lawrence, my colleague, and the member from Burlington.

When I talked about the total cost of borrowing, I didn't say that interest was not important. What I said was that what is really important is the total cost of borrowing, and the total cost of borrowing includes the interest cost, the fees and everything else that is included.

I think the member from Eglinton-Lawrence actually raised a very good point about the role that the banks need to play. Even in my role as the Minister of Small Business, I see sometimes that a business needs money and it's very hard for them to get money from the banks. We are having a lot of discussions with the banks on that front and saying, "Hey, it's really important for us to get the banks involved in providing those services." Even then, when you go to the bank and borrow money-you go to the bank or you go to the payday loan houses, wherever you go-you need to know what the total cost of borrowing is. You need to know what the interest rate is. You need to know what the service charges are. You need to know what the administration fees are. So at the end of the day, you need to say, "After taking all of this into account, does it make sense for me to borrow?"

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What we are suggesting in this bill is that we want to actually come up with some limit on the total cost of borrowing which will be fair to the borrower and also be fair to the people who are lending the money, so that the business can survive and thrive but, at the same time, so that we can also look after the interests of the borrowers, so that we can look after bond level and the poor of society.

As to some of the comments the member from Burlington made: I think a cooling-off period is important because sometimes people get into these contracts in a very hasty manner. If they have a 48-hour cooling-off period, at least they can think about it in a rational way and, if they have to get out of it, they can.

The Acting Speaker (Mr. Jim Wilson): Further debate?

Mr. Ernie Hardeman:
I rise to speak to Bill 48. As I came into the chamber today to be part of the first day of this second reading debate, I came in expecting that I would be supporting the bill. As I have listened to all the debate, I'm starting to get concerned about what is in the bill and what isn't in the bill and whether it's going to do what the government said it was going to do.

When people at home ask me, "What is it that a member of the opposition does? The Queen must have had some idea why she wanted a loyal opposition," I explain it in two ways. One, our responsibility is to make sure that we tell the public what is in the bill: things the government does not want to talk about, the things that are not the positives of a bill. Every piece of legislation has some of that, something negative to it. It's our job to put that out. The other thing that's very important that a member of the opposition must do is to point out to the general public where the government is missing the mark, when it says one thing and does something else, or the bill doesn't do what they suggested it would do.

I just want to make a point. I listened to the presentation of the member for Parkdale-High Park and her concern about what the bill does. Some of the information she used was totally contrary to what the minister said in the introduction of the bill.

I'll just point out where they did concede that they came together. The minister, in the press release, starts off by saying, "McGuinty Government Protecting Most Vulnerable Consumers." That would mean to me that there was something coming forward in the bill that would regulate the cost to those vulnerable consumers. We all know that when it comes to the payday loan industry-at least I thought, when I came in-the primary consumer who uses that service is a person who needs a quick, short-term loan to pay for the necessities they have or things they need to do before the actual payday comes. Then, hopefully, they have the ability to pay that back with a reasonable fee to the company for providing that service.

I don't agree with the member from Parkdale-High Park, who suggests that we should just get rid of these places. As much as we may say that banks should do it, credit unions should do it, we all know that they don't do it. With no collateral, you can't get a loan from a credit union or from a bank to tide you over till Friday. They don't have a process in place to do that. It takes them longer than that to approve a loan. So we can't not have these organizations, but at the same time I would have thought, if the minister was serious when he said that this is to protect the most vulnerable consumers, that somehow this would do that.

We have heard that there is no cap. So, when I heard the member from Parkdale-High Park suggest that she wanted a cap of 35% or 36% interest, I thought that that sounded like a pretty high interest rate. I don't pay quite that high an interest rate when

I borrow money. But of course we realize that it's short-term, that there's a lot of paperwork to a small loan, so maybe there's some rationale to it. But when I looked in the bill, not only is there no hard cap; there are no figures in the bill, no numbers. It doesn't say whether it's going to be 100%, 200% or 300%. All it says is that they must post it. So what the bill really is-I guess we'll get into it a little more deeply as I go-is it gives the government the ability to license the payday loan business and, I expect, charge a fee to do that.

Then the bill talks about enforcement. It doesn't talk about dealing with a complaint where the consumer calls our constituency office and says, "I've been ripped off by this company. What can you do about it?" I guess I would say, "Call the Ministry of Consumer and Commercial Relations." That's not what it's called now, but I've been getting used to saying that over the years. But the answer is always, "Yes, that's covered under the act, but you have to get it enforced in the courts." If they're having a debate about an overcharge of $100 on a $200 loan and they have to go and see a lawyer to take that to court, that person is in trouble.

If we look at the reason that the bill is here, it's for consumer protection for those vulnerable consumers. We have just eliminated their ability to deal with this bill at all. I don't think that the answer to their problem is to make sure that the people they're dealing with are licensed if the licence does not direct how they must operate their business-and incidentally, in this bill it doesn't do that. If the government's intention was to do that, why wouldn't they have included some of that in the bill? Have a section in the bill somewhere-and it might be here; I can't find it. I found the sections on enforcement and licensing and that you can call them if you have somebody doing business without a licence. But there's nothing in the bill on what is required on behalf of the licensee-what it is they have to put up or what they have to do in order to get a licence. They just have to call up and say, "I've got enough money. I'd like to lend it to my friends and I'd like to charge 300%. Could you give me a licence?" I expect the minister would say, "If you have $300, you give me $150 of it and we'll let you lend the other $150 to the consumer, and we'll all be happy." The licenser will say, "That's great stuff, because I'll soon get my $150 licence back because on the first loan I will double my money." Everybody's happy except the consumer. We didn't protect that consumer whom we were talking about.

I just don't believe that the government is hitting the mark that they set out in this news release. It says, "The new Payday Loans Act, if passed, will enhance consumer protection by licensing all payday lending industry operators and banning controversial lending practices." I wonder where in the bill they have that. There's nothing in the bill that says that there's anything-they don't define what a controversial practice would be, and there's nothing that says, "We will stop all the lenders from controversial practices." Where would that come from? I don't think it exists. I don't think it does that. Again, I think they missed it.

"In a continuing effort to protect Ontario's most vulnerable consumers in need of short-term loans, a process to place a cap on total costs of borrowing, an inspection and enforcement regime and an education campaign will empower consumers to make informed decisions and ensure integrity in lenders' borrowing practices." I would ask the parliamentary assistant-I know he's listening intently-that, in response to my presentation, he could maybe explain to me where in the bill this is going to "ensure integrity in lenders' borrowing practices." It just isn't there.

I'm sure that the minister, when he gets back from his illness-and we look forward to that being very soon and we wish him well-he's going to say, "I'm going to do that in regulation." Fair business practices, fair lending practices, are not something that has to change from day to day. Fairness is as fair tomorrow as it is today. It's not something that you need to do by regulation. It's something that you should put in the legislation-the very reason you brought the legislation into place. This isn't supposed to be a bill about licensing people; this is supposed to be a bill about protecting the consumer. That's not what this bill does.

Mr. Speaker, I know that the hour is fast approaching quitting time for this evening. We do have more to do, but I'm sure that with your good graces you will allow me to continue with the presentation at a future date, when this bill is called again.

Second reading debate deemed adjourned.