

OPENING STATEMENT

John Stringer, Counsel to Canadian Payday Loan Association

Good morning. We represent the Canadian Payday Loan Association (which we will refer to throughout the hearing as the “CPLA”). We appreciate the opportunity to provide our introductory comments to the Utility and Review Board on behalf of the CPLA.

This hearing has been convened in response to the implementation of Federal Bill C26, which allows provincial governments and independent regulatory bodies, such as this Board, to set maximum rates on the cost of borrowing for the payday loan industry.

Nova Scotia is the second province to commence hearings for this industry. However, although there is a concurrent process already underway in Manitoba, Nova Scotia may very well be the first jurisdiction in Canada to establish maximum rates for payday lending operators. As such, the decision of the Nova Scotia Utility and Review Board in this proceeding is extremely important, not only within this province, but as other jurisdictions across the country respond to the requirements of regulation as established pursuant to Bill C26.

The CPLA strongly supported Bill C26 in order to ensure that sufficient regulations were in place in the payday loan industry to protect consumers. As one of the driving forces behind that

legislation, the CPLA welcomes the requirement to operate under a fee structure to be mandated by the Board in this jurisdiction.

The amendments to Nova Scotia's *Consumer Protection Act* that triggered this hearing identified specific criteria for the Board's consideration in setting rates, which included a review of the terms and conditions of payday loans, the circumstances of credit options available to payday loan customers generally, the operating expenses and revenue requirements of payday lenders, financial risk taken by payday lenders, and the regulation of payday lenders in other jurisdictions.

Thus, the CPLA understands that this hearing is not about whether payday loan lenders should exist in Nova Scotia. Rather, it is focused on determining regulatory parameters that best protect consumers from excessive fees while ensuring that all Nova Scotians have access to payday loan services at fair rates in a competitive and viable marketplace.

The CPLA filed extensive evidence in this proceeding to help assist the Board in reaching its determination on these issues, and we will bring forward several witnesses to testify before the Board this week.

First, you will hear from the President of the CPLA, the Honorable Stan Keyes, and the Secretary of the CPLA, Norman Bishop. Their pre-filed evidence offered an understanding of the payday loan industry from the perspective of the CPLA member companies,

including economic and costing factors and Canada-wide regulatory practices which have been ongoing for a number of years.

The CPLA pre-filed evidence provided the Board with information as to the limited options available to payday loan customers in the Nova Scotia marketplace. For example, no financial institutions, such as credit unions or banks, serve the Nova Scotia marketplace with a payday loan product. The CPLA's evidence also provided the Board with specific information on payday loan outlet locations and average household income areas in the Halifax metro area.

Notably, the CPLA provided the Board with specific information on the unique costs of operation in the payday lender industry. The CPLA has submitted the leading report in Canada on the costs of providing payday loans, as prepared by Ernst and Young in October of 2004. The CPLA retained an acknowledged financial expert, Professor Lawrence Gould, to provide his analysis and conclusions with respect to this report, and the maximum rates which should be set by the Board to allow for viable competition in the industry. Professor Gould will be the second witness to testify on behalf of the CPLA in this Hearing.

The CPLA's pre-filed evidence also provided the Board with an additional financial report from a separate national accounting firm, Deloitte & Touche, which contains details as to the specific costs of operation of small and midsize payday lenders in Manitoba. This study was prepared for the CPLA for the purposes of the hearing in

Manitoba currently underway. Dean Schinkel of Deloitte will be the third witness to testify for the CPLA.

Finally, the CPLA notes that it commissioned the first statistically relevant survey ever completed on payday loan customers in Nova Scotia and New Brunswick in preparation for this hearing. Michael Marzolini of Pollara will be the last witness called on behalf of the CPLA, and he will testify as to his findings with respect to the demographic profile of payday loan customers and their specific attitudes and opinions about payday loans and other credit options available in Nova Scotia and other jurisdictions across Canada.

In short, the CPLA believes it has provided the Board with a broad spectrum of evidence to assist it to meet the statutory mandate it has been given by the Province of Nova Scotia. The CPLA believes this foundation will serve as an excellent basis to enable the Board to set appropriate maximum rates for borrowing that both protect consumers and ensure viable competition in the payday loan marketplace.

The CPLA appreciates the opportunity to participate in this process. Thank you.

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