

Guide for Obtaining a Permit as a Payday Lender

Under the Consumer Protection Act and Payday Lenders Regulations

The Consumer Protection Act requires that all Payday Lenders hold a permit to operate.

Important definitions include

Payday Lender

A person who offers, arranges or provides a payday loan.

Payday Loan

Any advancement of money with a principal of \$ 1,500 or less and a term of 62 days or less made in exchange for a post-dated cheque, pre-authorized debit or a future payment of a similar nature, but not for any guarantee, suretyship, overdraft protection or security on property and not through a margin loan, pawnbrokering, a line of credit or a credit card.

Obtaining a Permit

Permit for Every Location

Every location providing or arranging payday loans must have its own permit.

Application Form

An application form is available from any Access Nova Scotia Centre, Service Nova Scotia and Municipal Relations. The form can also be found online at www.gov.ns.ca/snsmr/consumer. For more information, call (902) 424-5200 (in metro) or 1-800-670-4357 (within Nova Scotia).

Fee

The annual fee for a permit is \$3,000. Cheques should be made payable to the Minister of Finance.

Information to Accompany an Application for a Permit

An applicant for a Payday Lender permit must submit the following documents for review:

- 1) For each loan option offered by the payday lender, a completed sample loan agreement for a \$300 loan for a 14 day term that shows that the cost of borrowing and charges do not exceed the maximum allowable. The loan agreement must also include the following contact information:
“Payday loans are regulated by government. For more information on the regulation of payday lenders or to register a complaint, contact:
Service Nova Scotia and Municipal Relations, for complaints (902) 424-5200 (or toll-free within North America) 1-800-670-4357,
Mail: Public Enquiries – Registrar of Credit, c/o Service Nova Scotia and Municipal Relations, PO Box 1003, Halifax NS, B3J 2X1, E-mail: askus@gov.ns.ca.”
- 2) A form that a borrower may use to give written notice of cancellation of a payday loan.
- 3) A form of the receipt the lender uses to acknowledge receipt of what was paid or returned by a borrower when cancelling a loan.
- 4) A form with the number of loans granted by the payday lender, the average size of loans and the number and size of defaults for the previous year.

Signage

Rates and fees for payday loans must be displayed in the form of a sign at the Payday Lender location, and this sign must be in place for a pre-licensing inspection. The sign must:

- 1) Be a minimum of 61 cm wide by 76 cm high.
- 2) Contain lettering in a colour clearly contrasting with the background.
- 3) Contain the following information only:
 - the heading “Payday Loans are High-Cost Loans” in lettering at least 3 cm high
 - immediately after the heading, a subhead with lettering at least 2.5 cm high must read “Example: \$300 loan for 14 days”
 - immediately after the subhead, the following lines of text in letters that are at least 2.5 cm in height:
 - “Principal Amount \$300.00”
 - “Total Cost of Borrowing” followed by the total cost of borrowing in dollars and cents for \$300.00
 - “Total to Repay” followed by the sum of \$300.00 and the total cost of borrowing in dollars and cents for \$300.00
 - “Annual Percentage Rate – APR” followed by the annual percentage rate for \$300.00

A payday lender that offers more than one loan option, resulting in differing total costs of borrowing or annual percentage rates for a \$300, 14 day loan, must include the total costs of borrowing, totals to repay and annual percentage rates for each loan option offered by the payday lender on any sign displaying rates and fees.

Example of mandatory sign

Payday Loans are High-Cost Loans

Option 1

Example: \$300 loan for 14 days

Principal amount: \$300.00

Total cost of borrowing: \$ xx.xx

Total to repay: \$300 PLUS \$ xx.xx = \$ xxx.xx

Annual percentage rate – APR: xx%

Disclosures to Borrower

The following information must be disclosed in writing to a borrower using plain language.

- 1) The total amount borrowed expressed as one sum in dollars and cents, that is comprised of
 - the sum actually received by the borrower, and
 - the sum of official fees and premiums for insurance paid by the lender at the request of the borrower
- 2) The cost of borrowing expressed in dollars and cents and itemized into interest and any other charges.
- 3) The interest payable as a percentage rate.
- 4) The cost of borrowing as a percentage of the total amount borrowed expressed at an annual rate.
- 5) The total amount to be repaid.
- 6) The regulated maximum rates or fees for the cost of borrowing or any other charges applying to payday loans as determined by the Nova Scotia Utility and Review Board, which are as follows:
 - The maximum interest rate chargeable on a payday loan must not exceed 60 percent. Under no circumstances may the total cost of borrowing (including interest and other charges) exceed \$31 per \$100.
- 7) Charges payable in the event the loan is not repaid by the due date and the allowable maximum charges as determined by the Nova Scotia Utility and Review Board, which are as follows:
 - The maximum interest rate which should apply, in the case of default, to any balance outstanding on the loan is 60 percent.
 - The maximum penalty chargeable with respect to default on a payday loan should be \$40 per loan.
- 8) How a loan may be cancelled.
- 9) The borrower's rights if the lender charges amounts prohibited by the Consumer Protection Act.

- 10) The amount of fees and charges that can be applied to any extension or renewal as determined by the Nova Scotia Utility and Review Board.
- 11) A copy of the loan agreement.
- 12) A copy of a document signed by the borrower stating that the borrower has received the information required to be disclosed.

In addition, the payday lender must disclose

- 1) The following information for the payday lender and any agent of the lender representing the payday lender to the borrower
 - name
 - business address
 - mailing address
 - telephone number
 - fax number
 - e-mail address
 - contact information for the Department of Service Nova Scotia and Municipal Relations
- 2) The borrower's name and address.
- 3) The date that the advance is made or a cash card is provided.
- 4) The amount of the advance.
- 5) The term of the loan.
- 6) The date on which repayment is due or, if repaid by installments, the dates on which payments are due.
- 7) An itemization of all fees, charges, commissions, interest, penalties and any other amount to be paid or that could be paid by the borrower.
- 8) A statement of the borrower's right to obtain a copy of the loan agreement from the lender at any time upon request.

- 9) If a cash card is issued to a borrower, the terms and conditions of the cash card, including all of the following:
 - the amount of credit available on the cash card
 - any date the cash card expires
 - that charges by a third party may apply for using the cash card at locations other than the payday lender

Charges to be included in the cost of borrowing

- 1) interest
- 2) administration fees
- 3) Commissions
- 4) cheque cashing fees on cheques used to repay a payday loan, even if the loan is past due
- 5) fees related to pre-authorized debits used to repay a payday loan, even if the loan is past due
- 6) fees relating to issuing and loading a cash card, even if payable to a third party
- 7) cash card transaction fees charged at the payday lender's place of business
- 8) agent of lender or broker fees

Registry of Joint Stock Companies

All businesses must register with the Registry of Joint Stock Companies (RJSC) office. This registration must be obtained before a Payday Lender permit can be issued. More information is available by calling the RJSC office at (902) 424-7770.

For More Information

If you have questions about obtaining a permit, please call Service Nova Scotia and Municipal Relations, Business Licensing and Registration Office at (902) 424-5200 (in metro) or 1-800-670-4357 (toll-free within Nova Scotia).