

# Staff Report



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| To           | <b>Committee of the Whole</b>                          |
| Service Area | Public Services  |
| Date         | Tuesday, September 7, 2021                             |
| Subject      | <b>Business Licensing – Payday Loan Establishments</b> |

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## Recommendation

1. That By-law Number (2009)-18855 be amended to include licensing of Payday Loan Establishments.
  2. That By-law Number (2020)-20550 be amended to include licensing fees for Payday Loan Establishments.
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## Executive Summary

### Purpose of Report

To respond to Council's direction to staff to review the payday loan businesses and bring forward possible amendments to Business License By-law (2009)-18855 for Council's consideration.

### Key Findings

Limiting where payday loan businesses can operate and restricting the clustering of establishments will help protect, on some level, economically vulnerable populations.

Licensing renewal process will ensure that there is current and updated information on the location of each payday loan establishment, which will help ensure continued enforcement over time.

The City's work with community partnerships may help find alternative ways to improve access to low-cost financial products and services.

### Financial Implications

As business licensing fees are calculated on a cost recovery basis, any additional revenue realized through the issuance of a Payday Loan business license will off-set the costs of administration, education, compliance, and possible partnerships to support alternatives for individuals to access low-cost financial products or services.

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## Report

Payday loans can be beneficial when used for their intended purpose; to quickly extend a small amount of credit, for a short time period, to borrowers who do not qualify for other types of loans. However, this type of short-term loan typically has high fees that make it a very expensive way to borrow money.

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The Federal Government passed to the Provinces, the ability to regulate payday loan businesses. The Payday Loans Act, enacted by the Province of Ontario in 2008, regulates the terms and conditions of payday loans, requires that payday lenders are licensed, and prohibits predatory practices.

In 2018, the Province of Ontario gave municipalities the authority to limit location and number of establishments, as a means to mitigate the proliferation of these establishments, while enabling operators to continue to provide a product to meet consumer demand. As of December 2020, out of 30 comparator municipalities, five have capped the total number of establishments permitted and 11 restrict where they can locate.

Research indicates ([Olena Kozbar, University of Toronto, 2012](#)) that payday loan establishments are most frequently in neighbourhoods where economically vulnerable people live (lower income and average education levels, higher rates of indigenous people, visible minorities and new immigrants). Limiting the locations where these businesses operate and restricting their clustering will help protect economically vulnerable populations. The city has eight provincially licensed payday loan establishments. (Ward 1: One location, Ward 2: Two locations, Ward 3: One location, Ward 4: Three locations, Ward 5: One location, Ward 6: 0 locations)

Staff proposes to license businesses as a mechanism to (1) ensure that businesses follow provincial licensing requirements, (2) disperse and reduce locations and, (3) ensure that businesses respect minimum distances between payday loan establishments and public spaces, such as schools and parks. A yearly license renewal process will ensure that there is current and updated information on the location of each payday loan establishment, which will ensure continued enforcement over time. The existing licensed payday loan establishments will be recognized within the new by-law schedule and be permitted to remain operational until ownership changes or the location is sold.

For the most part, borrowers of payday loans are economically vulnerable, or financially distressed. Most times, they do not qualify for credit at banks. In some instances, lower-income residents can find themselves in deep financial trouble by taking out payday loans that often create a vicious cycle, which sometimes end in bankruptcy.

Limiting the locations of payday loan establishments is not the only thing that municipalities can do to address the challenges associated with payday lending.

Staff also suggests that with further research and exploration, alternative lending programs can be created with community partners and/or financial institutions. The City would investigate with community partners and advocates against poverty alternative ways to improving access to low-cost financial products and services. Additional supports maybe key to financial stability that removes the need for fast cash (and any fees) all together.

## **Communications/Engagement**

Upon approval of the Business License By-law amendment, staff in conjunction with Public Engagement and Communications staff will engage and educate the public and stakeholders on this matter.

## **Implementation/Timeline**

To allow time for businesses and staff to adjust to the new Payday Licensing Category, staff are recommending that the new business category be implemented as of January 1, 2022. If approved by Council, staff will bring forward an amendment to the City's Business Licensing By-law requiring a license be obtained by those wishing to operate within Guelph and setting minimum distances in which these businesses may operate from one and another and public spaces, specifically, Payday Loan establishments will not be permitted to operate within 1000 metres of another existing business or 150 metres of a school or public park. These restrictions emulate those of the cannabis retail stores for the City of Guelph and, are in line with those of municipal comparators Hamilton and Kitchener.

Research and exploration of alternative lending programs will be determined later, based on the work plans of Culture and Recreation staff.

## **Compliance**

The City's Bylaw Compliance Officers will be the primary staff responsible for compliance of the City's Business Licensing By-law.

## **Set Fines/Summonses**

If the creation of a Payday Loan business category is approved by Council, staff will submit applications to the Regional Senior Justice (West Region), Ontario Court of Justice requesting that additional set fines be established for the new regulations. During the application process, staff will consider the set fines of other City By-laws and violations under the Business Licensing By-law. It is anticipated that the maximum set fine sought by staff will be \$500.

As with other violations under the City's Business Licensing By-law, for continued violations or where circumstances warrant, Bylaw Compliance Officers and Guelph Police Services Officers have the option of summoning the defendant before the Provincial Offence Court where upon conviction, the Justice of the Peace may impose a higher fine.

## **Cost for Implementation**

The estimated initial startup cost in 2022 to implement amendments to the Business License By-law to create and administer the Payday Loan license category would be \$5,128 for the existing eight businesses within Guelph. This cost includes administration, inspection and education.

## **Fees and Revenues**

As directed previously by Council, license fees are based on a cost recovery model and are used to offset any administration, education and compliance costs.

Starting in 2022, the inspection and application fee for a Payday Loan Establishment would be \$641 with an annual renewal fee starting in 2023 and initially set at \$400.

2022 Fees: Inspections \$241.00 · Application \$400.00 · Renewal \$400.00  
Inspection fee + application fee = \$641.00

## **Follow up**

As with any new by-law or licensing category, staff will continue to engage with industry representatives and stakeholders to implement the recommendations provided in this report. Staff will also follow up with industry representatives and stakeholders after one year of implementation has lapsed to determine the effectiveness of the licensing regime.

## **Financial Implications**

As business licensing fees are calculated on a cost recovery basis, any additional revenue realized through the issuance of a Payday Loan business license will off-set the costs of administration, education, compliance, and possible partnerships to support alternatives for individuals to access low-cost financial products or services.

## **Consultations**

Pat Sheehy – Program Manager of Zoning

Alex Goss – Manager, Community Investment

Danna Evans - General Manager, Culture and Recreation

Catherine Brohman – Associate Solicitor

Walter Estrada – Analyst, Finance

## **Strategic Plan Alignment**

Building Our Future: Make strategic investments that nurture social well-being, provide landmark beauty and offer a safe place where everyone belongs.

Within this same theme of community, the proposed actions align by aiming to reduce the proliferation of payday loan establishments and look for alternatives to help economically vulnerable people.

## **Attachments**

None

## **Departmental Approval**

Scott Green, Manager, Community and Corporate Safety

## **Report Author**

Andrea Harvie, Service Performance and Development Analyst

## **This report was approved by:**

Doug Godfrey

General Manager, Operations

Public Services

519 822-1260 extension 2520

[doug.godfrey@guelph.ca](mailto:doug.godfrey@guelph.ca)

**This report was recommended by:**

Colleen Clack-Bush

Deputy Chief Administrative Officer

Public Services

519 822-1260 extension 2588

[colleen.clack-bush@guelph.ca](mailto:colleen.clack-bush@guelph.ca)