

# High-Cost Credit and Payday Loan Business Compliance Standards

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This guidance document is provided for businesses required to be licensed by the *Consumer Protection Act* under the High-Cost Credit Regulation and Payday Loans Regulation. Compliance with these guidelines is a requirement for the purposes of licensing in Alberta.

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# Compliance

## Dishonoured Payment / Not Sufficient Fund Fee

1. Under s. 124.61 (3)(b) of the *Consumer Protection Act RSA 2000 Chapter C-26.3*, the Director has set a maximum one-time fee for each dishonoured cheque or pre-authorized debit for all payday loan agreements entered into in or from Alberta.
2. Under s. 23.3 of the High-Cost Credit Regulation AR 132/2018, the Director has set a maximum \$25 one-time fee for each dishonoured cheque or pre-authorized debit for high-cost fixed credit agreements, high-cost lease credit agreements, and high-cost open agreements entered into in or from Alberta.

## Consumer Protection Act Prohibitions and Rights

The following summarize key limitations and protections established under the legislation. Licensees should review the legislation and ensure that all credit agreements are compliant.

### *Consumer Protection Act RSA 2000 Chapter C-26.3*

3. s. 2 states that any waiver or release by a person of the person's rights, benefits or protections under the legislation is void.
4. s. 4 states that if a consumer and supplier enter into a consumer transaction and a provision of the transaction is ambiguous, the provision must be interpreted *against* the supplier.
5. s. 16 makes any *mandatory* arbitration clause in a consumer transaction void and unenforceable.
6. s. 53 prohibits the assignment of wages by any person to secure the payment of an existing or future indebtedness. Wage assignments are void and unenforceable if made in favour of a lender. It is an offence to attempt to induce a person to assign wages in favour of a lender or to attempt to enforce an assignment of wages.
7. s. 66 requires that lenders that require borrowers to purchase any insurance in relation to a credit product must allow the borrower to purchase it from any insurer who may lawfully provide that type of insurance in Alberta.

8. s. 67 requires that lenders allow a borrower to cancel an optional service of a continuing nature provided by the credit grantor or an associate of the credit grantor on giving 30 days notice (or any shorter period provided for by the credit agreement). The borrower is then entitled to a refund of any amount already paid for charges relating to any portion of the service that has not been provided at the time of cancellation.
9. s. 68 requires that:
  - a. lenders allow a non-mortgage borrower to pay, without penalty, the full outstanding amount under a credit agreement at any time or to prepay a portion, without penalty, of the outstanding balance of a credit agreement for fixed credit on a scheduled payment date.
  - b. where a borrower prepays the outstanding balance of a credit agreement, the lender must refund or credit the borrower with a portion of any non-interest finance charge that was paid by the borrower or that was added to the outstanding balance of the credit agreement.
10. s. 69 prohibits any default charges other than:
  - a. reasonable charges in respect of legal costs incurred in collecting or attempting to collect a payment under a credit agreement;
  - b. reasonable charges in respect to costs incurred in realizing a security interest or protecting the subject-matter of a security interest after default.
11. s. 132 requires that licensees create and maintain complete and accurate financial records, along with any records required by regulation, for at least three years after the records are made.
12. s. 134 requires that licensees notify the Director in writing within *15 days* of any of the following:
  - a. a change in the address of the licensee's business office;
  - b. a change in the partners of the business if the licence is issued to a partnership; or
  - c. a change in the officers or directors of the corporation if the licence is issued to a corporation.
13. s. 145 requires regulated suppliers to allow an inspector to enter any business premises at any reasonable time to conduct an inspection. Regulated suppliers must co-operate with the inspector.
14. s. 183.2 prohibits suppliers operating in Alberta from including any provisions in a consumer transaction that would prevent a consumer from publishing a review of the supplier or transaction.

# Standard Content and Format Requirements for Lenders

The Director of Fair Trading (Director) has established the following requirements for payday lenders and high-cost credit providers operating in the Province of Alberta.

## Requirements:

1. Under s. 124.41 of the *Consumer Protection Act RSA 2000 Chapter C-26.3*, the Director has set the requirements for the content and format of the standard initial disclosure for all payday loan agreements entered into in or from Alberta as established on pg. 9 (Standard Payday Loan Agreement Requirements).
2. Under s. 16 of the High-Cost Credit Regulation AR 132/2018, the Director has set the requirements for the content and format of the standard initial disclosure for high-cost fixed credit agreements, high-cost lease credit agreements, and high-cost open agreements entered into in or from Alberta.
  - a. Fixed credit agreements must meet the standard content and format requirements established on pg. 10 (Fixed Credit Agreement Disclosure Standard).
  - b. Lease agreements must meet the standard content and format requirements established on pg. 11 (Lease Agreement Disclosure Standard).
  - c. Open credit agreements must meet the standard content and format requirements established on pg. 12 (Open Credit Agreement Disclosure Standard).
3. All disclosures and calculations must be in accordance with the standards set in the Cost of Credit Disclosure Regulation AR 198/1999.
4. All required content elements and disclosures must be legible and in a font size no smaller than Arial 10. For reference, the standard initial disclosure templates below are in Arial 11.

## Disclosure Guidelines:

5. When dealing with a payment schedule, as per s. 27 of the Cost of Credit Disclosure Regulation, payment dates and calculations based on weekly and monthly payments can assume that 1 week is 1/52 of a year long and that each month is 1/12 of a year long.
6. Where the payment schedules set out in the standard initial disclosure and payment dates will not align in all cases (e.g. where a payment would fall due on a weekend or holiday and will be processed on the business day prior), the standard initial disclosure can include a reference to the appropriate page of the loan agreement as guidance for the borrower).

## Optional Service Guidelines:

7. Optional services are defined in s. 58 (aa) of the Consumer Protection Act as a service that is offered to a borrower in connection with a credit agreement and that the borrower does not have to accept in order to enter into the credit agreement.
8. The disclosed Total Cost of an Optional Service *must* be the total cost if the borrower were to complete the full term/payments for the optional service.
9. Where optional services or products are proposed to be included in or associated with a credit agreement, each optional service or product to be included or associated with the agreement must be included in the Optional Service Disclosure Standard as established on pg. 13.

## Format Guidelines:

10. The footnotes on the disclosure standard do not have to be included for consumers.
11. The borrower must receive the standard initial disclosure prior to or concurrently with the credit agreement. Where a borrower is receiving the initial disclosure concurrently, these documents must precede the loan agreement in the package.
12. Where all required elements of the standard content and format requirements cannot be included on a single page, all pages with standard content and format must be provided as a single package and prior to the remaining content of the credit agreement.

13. Where a borrower is entering into an agreement online, the required content should be placed at the top of the credit agreement as the first page of the document.
14. Licensees may use company letterhead, logos, fonts, colours, and other branding, but the required content and format of the cover page must meet the standards and requirements set out in the attached templates and the information provided is clear and legible.
15. Licensees cannot use logos, branding or name of the Government of Alberta, Service Alberta, or otherwise expressly or implicitly represent that the Government of Alberta or Service Alberta has endorsed or approved the payday loan or high-cost credit agreement.
16. If a credit agreement does not contain a charge or fee related to a dishonoured payment of a cheque, pre-authorized debit, or similar instrument, there is no requirement to include that line in the standard template used by the licensee.
17. If a lease agreement does not involve a residual obligation, there is no requirement to include that line in the standard template used by the licensee.
18. The information provided as part of these standards is not considered to be provided for the purposes of Part 9 of the *Consumer Protection Act* or Cost of Credit Disclosure Regulation and will need to be provided separately within the body of the credit agreement.

**Note: Licensees are not required to include the footnotes incorporated into the standard initial disclosure templates below. These footnotes are included to provide clarity to licensees.**

## Payday Loan Agreement Disclosure Standard

<Business Name>  
<Licence Number>  
<Date>

COST OF BORROWING NOTICE	
Payday loans are a form of high-cost credit.	
Amount of loan	\$X
Total Fees and Interest <sup>1</sup>	\$Y
Rate per \$100 borrowed (legal maximum of \$15)	
Annual Percentage Rate	%
Total Amount to be paid	\$(X+Y)
Payment Schedule	<Payment dates and amounts listed> <sup>2</sup>
Dishonoured Payment Fee <sup>3</sup>	\$NSF
You can prepay this loan in full or in part at any time without any charge or penalty.	
You cannot be forced to make scheduled payments before a payment is due under the credit agreement.	
You can cancel this loan within two business days at no cost by repaying the amount of the loan.	
For more information on your rights and protections, visit <a href="http://www.servicealberta.ca">www.servicealberta.ca</a> .	

<sup>1</sup> This references mandatory fees and interest associated with the credit product. Fees associated with optional services must be disclosed separately as per the Optional Service initial disclosure found on pg. 13.

<sup>2</sup> For payday loans, all scheduled payment dates must be listed.

<sup>3</sup> The maximum Dishonoured Payment or Not Sufficient Funds Fee that can be charged by licensees is \$25.

## Fixed Credit Agreement Disclosure Standard

<Business Name>  
 <Licence Number>  
 <Date>

<b>COST OF BORROWING NOTICE</b>	
<b>This product is a form of high-cost credit.</b>	
<b>Term of Agreement</b>	<Term>
<b>&lt;Credit&gt; Amount<sup>4</sup></b>	<b>\$X</b>
<b>Total Fees and Interest<sup>5</sup></b>	<b>\$Y</b>
<b>Annual Percentage Rate</b>	<b>%</b>
<b>Total Amount to be paid</b>	<b>\$(X+Y)</b>
<b>Payment Schedule</b>	<b>&lt;Payment schedule and start date and scheduled payment amount&gt;<sup>6</sup></b>
<b>Dishonoured Payment Fee<sup>7</sup></b>	<b>\$NSF</b>
<b>You can prepay this credit agreement in full or in part at any time without any charge or penalty.</b>	
<b>You cannot be forced to make scheduled payments before a payment is due under the credit agreement.</b>	
<b>You can request a statement of account in writing from the lender.</b>	
<b>For more information on your rights and protections, visit <a href="http://www.servicealberta.ca">www.servicealberta.ca</a>.</b>	

<sup>4</sup> <Credit> Amount can be reworded to reflect the nature of the fixed credit. “Amount Borrowed” or “Loan Amount” are examples of acceptable phrasing. Plain language is required and terms like “Principal Outstanding” should be avoided without seeking written approval from Service Alberta.

<sup>5</sup> This references mandatory fees and interest associated with the credit product. Fees associated with optional services must be disclosed separately as per the Optional Service initial disclosure found on pg. 13.

<sup>6</sup> For fixed credit, the payment schedule is required, along with the date of first payment. (e.g. \$250 on the 15<sup>th</sup> and 30<sup>th</sup> of each month. First payment due Jan. 15, 2019.)

The disclosure document does not need to include a list of all individual payment dates.

<sup>7</sup> The maximum Dishonoured Payment or Not Sufficient Funds Fee that can be charged by licensees is \$25

## Lease Agreement Disclosure Standard

<Business Name>  
<Licence Number>  
<Date>

<b>COST OF BORROWING NOTICE</b>	
<b>This transaction is a form of high-cost credit.</b>	
<b>Goods to be leased</b>	<Goods>
<b>Term of Lease</b>	<Term>
<b>Cash Value of Goods</b>	\$X
<b>Total Fees and Interest<sup>8</sup></b>	\$Y
<b>Residual Obligation (if any)</b>	\$ <sup>9</sup>
<b>Annual Percentage Rate</b>	%
<b>Total Amount to be paid</b>	\$ (X+Y+R)
<b>Payment Schedule</b>	<Payment schedule and start date and scheduled payment amount <sup>10</sup> >
<b>Dishonoured Payment Fee<sup>11</sup></b>	\$NSF
<b>You cannot be forced to make scheduled payments before a payment is due under the credit agreement.</b>	
<b>You can request a statement of account in writing from the lender.</b>	
<b>For more information on your rights and protections, visit <a href="http://www.servicealberta.ca">www.servicealberta.ca</a>.</b>	

<sup>8</sup> This references mandatory fees and interest associated with the credit product. Fees associated with optional services must be disclosed separately as per the Optional Service initial disclosure found on pg. 13.

<sup>9</sup> The residual obligation must reflect the maximum possible residual obligation as calculated in accordance with s. 29 of the Cost of Credit Disclosure Regulation. If there will be no residual obligation, this line is not required.

<sup>10</sup> For leases, the payment schedule is required, along with the date of first payment. (e.g. \$250 on the 15<sup>th</sup> and 30<sup>th</sup> of each month. First payment due Jan. 15, 2019.)

The disclosure document does not need to include a list of all individual payment dates.

<sup>11</sup> The maximum Dishonoured Payment or Not Sufficient Funds Fee that can be charged by licensees is \$25

## Open Credit Agreement Disclosure Standard

<Business Name>

<Licence Number>

<Date>

<b>COST OF BORROWING NOTICE</b>	
<b>This transaction is a form of high-cost credit.</b>	
<b>Credit limit</b>	<b>\$L</b>
<b>Total Fees<sup>12</sup></b>	<b>\$Y</b>
<b>Initial Annual Interest Rate</b>	<b>%</b>
<b>Minimum periodic payment<sup>13</sup></b>	
<b>Dishonoured Payment Fee<sup>14</sup></b>	<b>\$NSF</b>
<b>Payment schedule</b>	<b>&lt;Payment schedule and start date&gt;<sup>15</sup></b>
<b>You can prepay any credit accessed in full or in part at any time without any charge or penalty.</b>	
<b>You cannot be forced to make scheduled payments before a payment is due under the credit agreement.</b>	
<b>You will receive a statement of account at least monthly when you make use of the credit.</b>	
<b>For more information on your rights and protections, visit <a href="http://www.servicealberta.ca">www.servicealberta.ca</a>.</b>	

<sup>12</sup> This references mandatory fees and interest associated with the credit product. Fees associated with optional services must be disclosed separately as per the Optional Service initial disclosure found on pg. 13.

<sup>13</sup> Where a minimum periodic payment is not set, the borrower should be directed to the appropriate calculation section of the credit agreement.

<sup>14</sup> The maximum Dishonoured Payment or Not Sufficient Funds Fee that can be charged by licensees is \$25

<sup>15</sup> For open credit, the payment schedule is required, along with the date of first payment. (e.g. Payments due on the 30<sup>th</sup> of each month starting Jan. 30, 2019.)

The disclosure document does not need to include a list of all individual payment dates.

## Optional Service Disclosure Standard

<b>&lt;OPTIONAL SERVICE NAME&gt;</b> (Optional services are opt-in only and may be cancelled at any time)	
<b>Total amount to be paid without optional services<sup>16</sup></b>	<b>\$</b>
<b>Total Cost of &lt;Optional Service&gt;<sup>17</sup></b>	<b>\$<sup>18</sup></b>
<b>Total to be paid including optional services<sup>19</sup></b>	<b>\$</b>
<b>Term of the optional service<sup>20</sup></b>	<b>&lt;Term&gt;</b>
<b>Payment Schedule for &lt;Optional Service&gt;</b>	<b>&lt;Payment schedule and start date and scheduled payment amount&gt;<sup>21</sup></b>
<b>You can cancel any optional services or products of a continuing nature by giving 30 days' (or any shorter period provided for in the agreement) notice.</b>	
<b>If you cancel an optional service, you are entitled to a pro-rated refund for any fees paid for any portion of the service that has not been provided at the time of cancellation.</b>	
<b>For more information on your rights and protections, visit <a href="http://www.servicealberta.ca">www.servicealberta.ca</a>.</b>	

<sup>16</sup> The total amount to be paid without optional services will reflect the total amount to be paid from the primary initial disclosure. This line is not required for optional products associated with open credit where the borrower is not incurring up-front fees or charges.

<sup>17</sup> All optional services should be listed separately here.

<sup>18</sup> With an open credit agreement where the fee for an optional service may vary, all mandatory fees associated with the optional service should be included on this line, along with a reference to section of the credit agreement that sets out the calculations for the cost of the optional service.

<sup>19</sup> The total to be paid including optional services will include the total cost of the optional service assuming the borrower maintains it for the proposed term and the total to be paid with the associated lending product.

<sup>20</sup> Term of optional service is only required if it will differ from the term of credit

<sup>21</sup> The optional services payment schedule is required, along with the date of first payment. (e.g. \$7.50 on the 15<sup>th</sup> and 30<sup>th</sup> of each month. First payment due Jan. 15, 2019.)

The disclosure document does not need to include a list of all individual payment dates.

# Data Collection Requirements

Statutory authority to collect this information is provided for in s. 126 (1)(b) of the *Consumer Protection Act*, RSA 2000 Chapter F-2.

126 (1) A person who wishes to be licensed or to have a licence renewed under this Act must submit to the Director

(b) any additional information that is requested by the Director, including a criminal record check or authorization to obtain a criminal record check.

*Service Alberta is not requesting personal information. Please do not provide any personal identifying information of yourself, your clients, or any third party. The information received will be released solely in an aggregate format.*

## DATA COLLECTION REQUIREMENTS

1. The following categories of information must be collected on a calendar year basis by licensees operating in Alberta.
2. The information in each category must be Alberta-specific and include every high-cost or payday loan issued to a resident of Alberta.
3. Licensees are required to submit this information to Service Alberta Business Licensing on an annual basis by February 1<sup>st</sup> of the following year.
4. Failure to supply the information by February 1<sup>st</sup> may impact the licence renewal process of the licensee.

## High-Cost Credit Business Reporting Requirements

Category	Definition
Number of High-Cost Loans issued in Alberta	Total number of all high-cost credit agreements entered into in Alberta by the lender during the reporting period.
Total Value of Fixed Credit Agreements in Alberta	Sum of the <b>principal</b> of all high-cost fixed credit agreement agreements entered into in Alberta by the lender during the reporting period. Does not include fees or interest.

Total Value of Open Credit extended in Alberta	Sum of the <b>credit limit</b> extended on all open credit agreements active in Alberta.
Average Fixed Credit Term Length in Alberta	The average of the term length of all high-cost fixed credit agreements entered into in Alberta by the lender during the reporting period.
Total Cost of Credit Charged in Alberta	The total cost of credit of all high-cost credit agreements entered into in Alberta by the lender during the reporting period, as determined by provincial credit disclosure requirements, <i>not including the principal</i> .
Number of Loans Written Off in Alberta	The number of defaulted high-cost credit agreements written off in Alberta by the lender during the reporting period.
Total Value of Loans Written Off in Alberta	The value of the defaulted high-cost credit agreements (principal minus any payments) written off in Alberta by the lender during the reporting period.
Number of Defaults on Loans in Alberta	The number of all defaulted high-cost credit agreements in Alberta (credit where the borrower did not meet the repayment provisions of the agreement, even if borrower eventually repaid)
Value of Defaulted Loans in Alberta	Sum of the <b>principal</b> of all high-cost credit agreements entered into by the lender during the reporting period where the borrower defaulted. This applies only to the initial default, not subsequent defaults.
Dishonoured Payment Fees in Alberta	The sum of dishonoured payment fees collected by the lender on defaulted high-cost credit agreements during the reporting period.
Number of Individual Borrowers in Alberta	The number of borrowers who have entered into a high-cost credit agreement with the lender over the reporting period. Each individual should only be counted once, regardless of the number of high-cost credit agreements applied for or issued.
Information on Repeat Borrowing in Alberta	The number of high-cost credit agreements entered into with an individual who had previously received a high-cost credit agreement from the lender during the reporting period.

Optional Services or Products Sold in Alberta	The total number of Optional Services or Products included in high-cost credit agreements entered into during the reporting period.
Total Number of Repayments in Alberta	The total number of payments received from borrowers during the reporting period.
Number of Employees in Alberta	The number of employment positions at the lender at the end of the reporting period. Indicate the number of full time and part time positions separately.
Full-time	
Part-time	

## Payday Loan Business Reporting Requirements

Category	Definition
Number of Loans in Alberta	Total number of all payday loan agreements entered into in Alberta by the payday lender during the reporting period.
Total Value of Loans in Alberta	Sum of the <b>principal</b> of all payday loan agreements entered into in Alberta by the payday lender during the reporting period. Does not include fees or interest.
Average Term Length in Alberta	The average of the term length of all payday loan agreements entered into in Alberta by the payday lender during the reporting period.
Total Cost of Credit Charged in Alberta	The total cost of credit of all payday loan agreements entered into in Alberta by the payday lender during the reporting period, as determined by provincial credit disclosure requirements.
Number of Loans Written Off in Alberta	The number of defaulted payday loans written off in Alberta by the payday lender during the reporting period.

Total Value of Loans Written Off in Alberta	The value of the defaulted payday loans (principal minus any payments) written off in Alberta by the payday lender during the reporting period.
Number of Initial Defaults on Loans in Alberta	The number of all defaulted payday loans in Alberta (loans where the borrower did not meet the repayment provisions of the agreement, even if borrower eventually repaid)
Value of Defaulted Loans in Alberta	Sum of the principal of all payday loan agreements entered into by the payday lender during the reporting period where the borrower defaulted. This applies only to the initial default, not subsequent defaults.
Value of Default Interest in Alberta	Total value of interest on outstanding payday loans that the payday lender has not written off at the end of the reporting period.
Dishonoured Payment Fees in Alberta	The sum of dishonoured payment fees collected by the payday lender on defaulted payday loans during the reporting period.
Number of Individual Borrowers in Alberta	The number of borrowers who have entered into a payday loan agreement with the payday lender over the reporting period. Each individual should only be counted once, regardless of the number of payday loans applied for or issued.
Information on Repeat Borrowing in Alberta	The number of payday loan agreements entered into with an individual who had previously received a payday loan from the payday lender during the reporting period.
Number of Loans Offered at a Range of Values in Alberta	The number of payday loan agreements entered into by the payday lender in amount ranges:
\$1 to \$499	
\$500 to \$999	
\$1000 to \$1500	
Total Value of Loans at Range in Alberta	The sum of the payday loan agreements entered into by the payday lender in each amount range set by the provincial regulator during the reporting period.

\$1 to \$499	
\$500 to \$999	
\$1000 to \$1500	
Optional Products Sold in Alberta	The total number of optional products included in payday loan agreements entered into during the reporting period.
Total Number of Payments in Alberta	The total number of payments received from borrowers during the reporting period.
Number of Employees in Alberta	The number of employment positions at the payday lender at the end of the reporting period. Indicate the number of full time and part time positions separately.
Full-time	
Part-time	