

## Interest Charges

The *Maintenance Enforcement Act* and the *Maintenance Enforcement Regulation* authorize MEP to charge interest to debtors. To encourage compliance, interest is applied if debtors do not comply with their support obligations or program requirements.

### When does MEP charge interest?

MEP charges interest when:

- the court order or agreement requires it; OR
- the support payment is not received in full by the date it is due according to the support order or agreement; OR
- there are outstanding arrears on the file with no payment arrangement in place; OR
- if a debtor has a payment arrangement with MEP, and the support payment is not received in full by the date it is due according to the payment arrangement.

### Interest benefits families

Eighty per cent of the interest MEP collects on a file goes to the creditor. This compensates families when the support they rely on is not paid, or is paid late. MEP keeps the other twenty per cent collected to help pay for the additional resources needed to administer interest.

### How debtors can avoid interest charges on their files

- Pay the amount that is due according to the court order or agreement, in full and on time.
- If full payment cannot be made on time, contact MEP to discuss a payment arrangement.
- If paying support through a voluntary deduction from their pay, make sure their employer gets the payment to MEP on time, or keep your file in a one month credit balance by either making a one-time extra payment, or making a payment arrangement with MEP to build a credit balance over time.

### How MEP calculates interest

If the court order or agreement states how interest should be charged, MEP follows those directions. If the court order or agreement does not discuss interest and a payment is not received or is received late, MEP charges **simple interest** on the **total support amount that is owed**, at the **interest rate** annually set by Alberta's *Judgment Interest Act*.

Simple interest means that interest is not charged on interest that has already been charged. The total support amount that is owed is the total amount of support payment that the debtor owes to the creditor (it does not include any penalties and fees that are owed to MEP). MEP applies this formula:

$$\frac{\text{Total amount of support owed} \times \text{annual interest rate} \times \text{number of days the payment is late}}{365 \text{ days in a year (366 in a leap year)}}$$

For example, it is January 2015 and a debtor owes the creditor support arrears of \$3,000. He made a payment arrangement with MEP to pay \$300 per month on the first of the month. If he made that payment 10 days late, he would be charged interest of \$0.86.

$$\frac{\$3,000 \text{ (total support owed)} \times 0.0105 \text{ (interest rate)} \times 10 \text{ (days late)}}{365 \text{ days}} = \$0.86$$

Interest is calculated to the day. It is added to the Statement of Account in one lump sum, in the following month. For example, interest charges from May 1 to 31 will appear on the statement in June.

- MEP has other Information Sheets, on a variety of helpful topics. To see them, visit MEP's website at [www.albertamep.gov.ab.ca](http://www.albertamep.gov.ab.ca).
- To contact MEP, phone 780-422-5555 or toll-free in Alberta at 310-0000.
- To view information about your MEP file, log in to *MEP Accounts Online* on MEP's website and select "Account login".