



Bruce-Grey-Owen Sound Submission to Ontario on Payday Loan Companies

19 May 2016

Payday Loan Cost of Borrowing Review
Consumer Policy and Liaison Branch
Ministry of Government and Consumer Services
5th Floor, 777 Bay Street, Toronto ON, M7A 2J3

The New Democratic Party Riding Association for Bruce-Grey-Owen Sound wishes to respond to the Ontario government's consultation paper on lowering the interest rate charged by Payday loan companies. We believe that, on the evidence, this will not have the desired effect of reducing either poverty or the indebtedness of people to these predatory lenders. There are better ways of doing both: raise the minimum wage in Ontario to a living wage and mandate certain corporations to offer short term loans at rates that people can afford to pay back.

Bruce-Grey-Owen Sound has been especially hard hit by the economic downturn since the Great Recession of 2008. Manufacturing jobs have all but left the area and the economy has sunk into a malaise of precarious service jobs. We estimate that the portion of area residents in precarious jobs to be more than that of many city cores – at 50% – and much higher in areas of the region that rely on tourism, such as the whole of the Bruce Peninsula.

Regional rates of substance abuse, admissions to emergency rooms for injuries, and obesity are all above the Provincial norms. These are indicators of a population under stress, as [studies in the US](#) are pointing out.

A [January 2015 study on precarious work](#) by the local citizens' group Peace and Justice Grey Bruce demonstrates that precarious work in this area not only leads to poor health outcomes (and therefore higher costs to governments), but contributes mightily to social and economic isolation. It quotes work done by the Grey Bruce Health Unit on the social causes of poor health and the United Way of Bruce Grey's calculation of a living wage for this area: now more than \$15/hr for both Owen Sound and surrounds.

The Report also makes an economic case for paying a living wage, for there is a huge economic cost to keeping the current minimum wage.

If people don't have enough money to live on, they cannot shop in local stores – the gap-toothed appearance of many of our main streets is testament to that. If people don't have

enough for decent shelter, the tax base of municipalities erodes – housing starts in Bruce-Grey-Owen Sound are dismal. If companies shun an economically depressed area, they will not provide jobs for our citizens. People are forced to cobble two or three badly paying jobs together in order to live, and the spiral of working poverty continues, a situation Payday loan companies only help to perpetuate in a very vicious circle.

And yet, the precarious worker is exactly the kind of client Payday loan companies target.

If someone must borrow \$300 dollars to get to the end of the month at the rate these companies charge, they may well be paying close to \$3000 by year's end. Then it becomes a case of lending even more money on the pretense that the person will ever be able to pay it back.

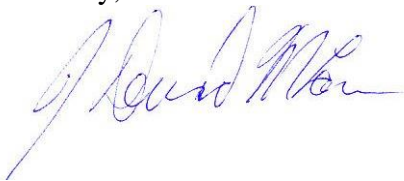
On the other hand, if everyone in Bruce-Grey-Owen Sound earned a living wage, [over \\$20 million would be returned to the local economy](#).

Payday loan companies do not serve a need; they create a need that they then feed off. Unfortunately, regulation of any kind – even to reduce their usurious rates to something less onerous – has the perverse effect of giving such a practice the colour of right. It also has the effect of delaying serious change – the kind of change that's needed if we ever hope to close the growing gap of inequality and return some measure of fair pay for a fair day's work.

For these reasons – improving health outcomes, enhancing participation in the social and economic life of our communities, reducing the cost to governments of poverty, and returning dignity to working people, we recommend:

1. That the Ontario government abandon its minimum wage for a living wage; and
2. Authorize certain institutions to offer temporary loans of fixed periods at a reasonable rate of return (certainly under 10%).

Sincerely,



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