



Considering a Payday Loan? 10 Questions to Ask

If you're short on cash, a payday loan may seem like a quick way to get money, but there is a high cost. Fees on payday loans are generally much higher than those on other forms of credit, and they will take a big bite out of your budget. Make sure you have all the facts about a payday loan by asking the following questions.

Questions to ask yourself if you're considering a payday loan

- **Am I having trouble making ends meet?**

If you are, a payday loan will not solve your problems. Consider booking an appointment with a credit counselling organization to get some help with your financial situation and budget.

- **Do I really need this money? Is there any way that I can manage until my next payday and avoid taking out a loan?**

Request additional time to pay off your bills from your creditors. Tell them when you get paid and offer to write them post-dated cheques for that day.

- **Is there a cheaper alternative to a payday loan?**

Could you get money through:

- a pay advance from your employer?
- a less expensive form of credit from a bank, credit union or other financial institution such as:
 - a small loan
 - a line of credit, or
 - overdraft protection on your account?
- a loan from family or friends?
- a cash advance on a credit card?

Questions to ask yourself if you're considering a payday loan (continued)

- **If I take out this loan, am I sure that I'll be able to pay it back on time?**

If not, then taking out a payday loan may make your financial situation worse. Interest and penalties will make your loan even harder to pay off and will increase your financial difficulty.

- **If I take out this loan, will I be able to pay my bills next month?**

If you take a payday loan, you'll have to pay it back from your next paycheque. This means that you'll have less money to pay your regular living expenses and next month's bills. Think carefully about the long-term consequences of the loan. If you don't have a plan to pay off the loan and cover your regular expenses, a payday loan probably isn't a good idea.

- **Do I already have other debts that I'm having trouble paying off?**

If the answer is yes, then taking out a payday loan is not a good idea. Get help managing your debt from a credit counselling organization.

Questions to ask the lender before you decide if you'll take a payday loan

- **How much is this payday loan going to cost me if I pay it off on time?**

Ask the lender for the total cost of borrowing (including all interest and fees), and the date that the loan comes due. Many provinces regulate the maximum cost of payday loans and require that lenders present this information clearly to the consumer.

- **How much will I be charged if I can't pay the loan off on time?**

Payday lenders often charge a **penalty** if your cheque or pre-authorized debit is returned to them (for example, due to insufficient funds). Some provinces regulate how high this fee can be with caps that range from \$20 to \$50. However, in provinces and territories where the fee isn't regulated, the penalty can be much higher. This is in addition to the **interest** that will accumulate on the balance of your loan. Find out from the lender how much you'll be charged if you do not pay back your loan on time.

- **Can I have a copy of the loan agreement to read before I sign up for the loan?**

If the lender won't give you a copy of the agreement to review before you sign, don't agree to the loan. Review the terms of the loan before signing up for it.

- **Am I allowed to cancel the loan if I decide that I don't want it? If so, how do I do that and how long do I have to make my decision?**

In many provinces, your right to cancel a payday loan within a day or two after signing it is protected by law. Get this information in writing from the payday lender.

Other FCAC information of interest

Tip Sheets

- Managing Debt: Getting Help from a Credit Counselling Agency
- Making a Budget and Sticking to It
- How to Beat that Debt
- Tips for Dealing with a Debt Collector
- Cashing your Government of Canada Cheque for Free

Publication

- Payday Loans: An Expensive Way to Borrow

For more information

Find out what rules apply to payday lending in your province or territory by calling one of the offices below:

British Columbia

Consumer Protection BC
1-888-564-9963
www.consumerprotectionbc.ca

Alberta

Service Alberta
1-877-427-4088
www.servicealberta.ca

Saskatchewan

Saskatchewan Consumer Protection Branch
1-877-880-5550
www.justice.gov.sk.ca/cpb

Manitoba

Manitoba Consumer Protection Office
1-800-782-0067
www.gov.mb.ca/fs/cca/cpo/

Ontario

Ontario Ministry of Consumer Services
1-800-889-9768
www.sse.gov.on.ca/mcs/en

Québec

Office de la protection du consommateur
1-888-672-2556
www.opc.gouv.qc.ca/

Newfoundland and Labrador

Service NL
1-877-968-2600
www.servicenl.gov.nl.ca

New Brunswick

New Brunswick Consumer Affairs
506-453-2659
www.gnb.ca/0062/rentalsman/

Prince Edward Island

Prince Edward Island Consumer Services
902-386-4580
www.gov.pe.ca/jps

Nova Scotia

Nova Scotia Consumer Awareness
1-800-670-4357
www.gov.ns.ca/snsmr/access/individuals/consumer-awareness.asp

Yukon

Yukon Consumer Services
867-667-5111
www.community.gov.yk.ca/consumer/

Northwest Territories

Northwest Territories Consumer Affairs
867-873-7125
www.maca.gov.nt.ca/operations/consumer_affairs/

Nunavut

Nunavut Consumer Affairs
1-866-223-8139
<http://cgs.gov.nu.ca/en/consumer-affairs>

