PAY DAY LOANS

What is a Payday Loan?

- A short term loan that you promise to pay back from your next pay cheque. It is a quick fix with expensive charges. Annual interest rates may go as high as 652% Initial cost of the loan could be as high as 25%. Payday Loans are expensive.

How do Payday Loans Work?

- Before giving you a payday loan, a lender usually wants proof that you have a regular income, a bank account and permanent address.
- You will need to sign a loan agreement that shows how much your loan will cost (this includes any interest and other fees) as well as the date when the loan is due to be paid back. **It is very important that you read this document carefully before signing it.**
- When you apply, you may be required to provide a post-dated cheque for the total amount of the loan (including fees) or sign a form that allows the lender to take the money directly from your bank account, when the loan comes due (a pre-authorized debit).

What happens if you can't pay the loan back on time?

- You may be charged a penalty if your cheque or pre-authorized debit is returned to them (ie insufficient funds)
- Your bank/financial institution may charge you an additional fee if there wasn't sufficient money in your bank account to cover the payment.
- Interest fees will continue to be charged to you until the full balance of your payday loan is cleared.
- The lender may contact your friends, relatives or employer to find ways and means of getting in touch with you.
- There is a chance that the lender may turn over the balance owing to them, to a collection agency. This could affect your credit score; a damaged credit score can make it more difficult for you to get credit, or another loan, in the future.

Things to consider before applying for a Payday loan?

- Do you really need this money?
- Have you considered alternatives to this type of loan?
- Do you understand the cost of the loan?
- Are you sure you will be able to pay the loan back and on time?
- Are you regularly having trouble making ends meet from on pay cheque to another; if so, a payday loan may not be your answer.

Know your rights if you apply for a Payday loan

For further information, please contact our Consumer Affairs office:

CONSUMER AFFAIRS
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