

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE *CONSUMER PROTECTION ACT***

- and -

**IN THE MATTER OF A REVIEW** of the Board's existing Order dated June 7, 2022, setting the maximum cost of borrowing for a payday loan and the maximum default charge, due to the federal *Criminal Interest Rate Regulations*, taking effect January 1, 2025

**BEFORE:**



Roland A. Deveau, K.C., Vice Chair  
Richard J. Melanson, LL.B., Member  
Jennifer L. Nicholson, CPA, CA, Member

**DECISION AND ORDER**

Section 18T of the *Consumer Protection Act*, R.S.N.S. 1989, c. 92, provides, among other matters, that the Nova Scotia Utility and Review Board shall fix the maximum cost of borrowing, or establish a rate, formula or tariff for determining the maximum cost of borrowing, that may be charged, required or accepted in respect of payday loans.

Under the *Consumer Protection Act*, the Nova Scotia Utility and Review Board sets the maximum cost of borrowing for a payday loan (currently \$15 per \$100) and sets any fee, charge or penalty for defaulting on a payday loan (currently \$40 per loan). The federal *Criminal Interest Rate Regulations*, which take effect January 1, 2025, will impose a maximum on these amounts at \$14 per \$100 for the cost of borrowing and \$20 for a default or NSF charge.

The Board initiated a paper review process of its existing Order issued June 7, 2022, to align the approved maximum cost of borrowing and maximum default charge with the federal *Criminal Interest Rate Regulations*. The Board accepted written submissions and letters of comment on revising these maximum amounts to be consistent with the federal maximum amounts, subject to comments received on these specific issues or any related issue arising from the Board's existing Order, including the scheduling of the next full review that is scheduled to occur in 2025.

The Board issued a Hearing Order and Notice of Paper Hearing on July 30, 2024, allowing written submissions from the public and the parties. The Notice of Paper Hearing was

published in the *Chronicle Herald* and the *Cape Breton Post* on Saturday, August 3, 2024, and Wednesday, August 7, 2024.

The Clerk of the Board also distributed a Notice of Paper Hearing to payday lenders, including all participants in Matter M10328, posted it to the Board's Twitter account, and published it on the Board's website. Further to s. 18T(8) of the *Act*, the Board advised the Registrar of Credit about the hearing by letter dated July 30, 2024.

The Board received a letter of comment from Credit Club, a payday lender. Written submissions from the Consumer Advocate and Service Nova Scotia concluded on September 24, 2024.

The *Criminal Interest Rate Regulations* apply to all payday lenders the Board regulates. To avoid any confusion, the Board is satisfied that it should revise its existing Order so that the maximum cost of borrowing and maximum default charge is consistent with the federal *Criminal Interest Rate Regulations*, which take effect January 1, 2025.

The Board also accepts Service Nova Scotia's recommendation that the next review be deferred to 2027.

#### **THE BOARD ORDERS THAT:**

1. Effective January 1, 2025, the maximum cost of borrowing is set at \$14 per \$100, inclusive of all expenses (including interest and other charges) which must be borne by a borrower in order to actually receive the cash requested (or the equivalent) immediately after it being determined by the lender that the borrower is so qualified;
2. With respect to any payday loan for an amount other than \$100, the maximum cost of borrowing of \$14 per \$100 shall be applied *pro rata*;
3. There shall be no maximum amount in respect of any component of the cost of borrowing on a payday loan, except as outlined in item 6, provided that the total cost of borrowing (including interest and other charges) does not exceed \$14 per \$100;
4. The maximum penalty chargeable with respect to a default on a payday loan is \$20 per loan;
5. The maximum interest rate chargeable with respect to a default on a payday loan is 30% (as calculated in accordance with the *Act* and *Regulations* thereunder) applied to any balance outstanding on the loan;
6. The maximum cost of borrowing set out above shall include any cost relating to insurance;
7. The next review of this Order shall be scheduled in two years from the effective date of this Order, unless otherwise ordered by the Board; and

8. This Order shall take effect on January 1, 2025. Until that date, the Board's existing Order remains in full force and effect.

**DATED** at Halifax, Nova Scotia, this 8<sup>th</sup> day of October 2024.

*Lisa Wallace*

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Clerk of the Board