Financial Con Agency of Ca

Payday loan use in Canada

Key findings from the Financial Consumer Agency of Canada's report, Understanding payday loan use and perspectives, based on data from the Monthly Financial Well-Being Monitor and the Payday loan user survey conducted between December 2022 and January 2023.

What is a payday loan?

A short-term, high-cost loan that you promise to pay back from one or more future paycheques.

3% of Canadian households reported getting a payday loan in the past 12 months.

Payday loan users are more likely to be struggling financially

- nearly 3x as likely to have borrowed money to buy food
- nearly 3x as likely to have borrowed money from friends and family
- more likely to fall behind on bills or to not have an emergency fund



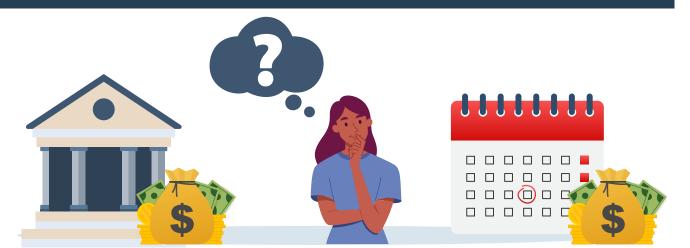
Many struggle to repay their loans and risk falling into a debt cycle



- 48% were able to repay their loan with their next paycheque, but:
 - 30% have had difficulty repaying on time
 - 7% had taken out another payday loan to pay the first
- Half were **repeat** users (2 or more payday loans over 3 years)

Many don't fully understand the cost

- 26% thought payday loans cost the same as bank loans
- only 25% knew payday loans cost more than a cash advance on a credit card



Financially vulnerable Canadians are more likely to use payday loans

Certain communities are overrepresented

- Indigenous people are more than twice as likely to use payday loans
- more than 45% of payday loan users are newcomers to Canada

Economic vulnerability drives usage

- more than 50% earn less than \$55,000 annually
- many are unemployed

Education and family status are factors

- those without a high school diploma are more than twice as likely to use payday loans
- more than 40% of users are renters or lone parents

Visit <u>Payday loans</u> to learn more about the true cost.

