

PRESS RELEASE

April 13, 2004 (Hamilton, Ontario)

CASH STORES FACE CLASS ACTION LAWSUIT OVER PAYDAY LOANS

A Statement of Claim was issued in the Ontario Superior Court of Justice today against The Cash Store Inc. and Rentcash Inc. alleging that interest and fees charged in respect of payday loans are illegal pursuant to the *Criminal Code of Canada* and that the cost of borrowing is excessive and that the transactions are harsh and unconscionable.

The Plaintiff, Thompson McCutcheon, of Hamilton, Ontario, is bringing the action under the Class Proceedings Act, 1992, on behalf of a Class consisting of any person in Canada, outside the Province of Alberta, who obtained a payday loan advance from the Defendants and who was charged payday loan interest, broker's fees and Cash Card fees, collected and/or received by the Defendants. A separate action has been brought in Alberta.

Rentcash Inc. is a corporation publicly traded on the TSX Venture exchange under the symbol "RCS".

The Statement of Claim alleges that the Defendants own and operate 101 Cash Stores all across the Country with locations in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

It is alleged that the Defendants offer short-term loans to customers known as payday loans, which loans are generally for a period of no more than 14 days and are usually due and payable on the next scheduled payday of the customer.

An advance is made of up to 33% of the customer's net take home pay.

Upon obtaining a loan, the customer is required to provide a cheque in the amount of the loan advance, plus precalculated interest and fees and the Defendants agree to defer deposit of the repayment cheque until the next payday of the customer.

The customer can either allow the cheque to be deposited on the due date to repay the loan, or redeem the cheque by paying cash in the amount of the cheque, or roll-over the loan for a further payday term.

Interest is charged on all payday loans at an effective annual rate of interest equal to 59%, exclusive of all other charges, however, in addition to payment of interest customers are also charged a "broker's fee" of 22.5% of the amount of the loan advance. The broker's fee is a lump sum charge levied at the time of the loan transaction and any roll-over thereof.

The Statement of Claim alleges that this results in an effective annual rate of interest, exclusive of stated interest charges of 59%, of 1,170%, 585% and 270% on loans of 7 days, 14 days and 30 days respectively, without any compounding.

The Statement of Claim alleges that The Cash Store is not a broker for the customer but really a broker for the lender. The interest rate and broker's fee is always the same.

Customers are also charged a Cash Card fee. A Cash Store Cash Card™ is required to be obtained as a precondition of obtaining a loan as the loan advances are credited to the Cash Store Cash Card™ which work at debit and ATM terminals.

The Statement of Claim alleges contravention of the *Criminal Code of Canada* in that the amounts charged, collected and received by the Defendants constitute criminal interest which exceeds 60% which is the maximum interest rate allowed by law.

The Statement of Claim further alleges that the cost of the payday loans are excessive and that the transactions are harsh and unconscionable and requests that all customers be entitled to repayment to the extent of any excess paid or charged.

The Statement of Claim furthermore alleges a breach of the *Consumer Protection Act* in that the Defendants have failed to meet the disclosure requirements set-out in that legislation which require lenders to disclose the cost of borrowing expressed as one sum in dollars and cents and disclosure of the percentage that the cost of borrowing bears to the sum actually received in cash by the borrower.

The Statement of Claim alleges that the Defendants knew or ought to have known that their interest, broker's fees and cash card fees resulted in an effective annual rate of interest that is excessive and that punitive damages ought to be awarded.

There has been a significant proliferation of store-front "financial supermarkets" in the past few years. The sector has grown enormously with payday loan companies popping-up everywhere to service lower to middle-income earners who shy away from traditional banking relationships.

Government bodies have shown very little interest in regulating cheque-cashing companies or the fees they charge.

The matter is still under review with Industry Canada and has been the subject of significant debate between federal and provincial officials.

A number of other payday loan companies have previously been sued in respect of alleged illegal interest rates, however, none of those actions have yet progressed to the point of a Court ruling in favour of customers.

The Statement of Claim contains allegations which have yet to be proven in Court.

The Claim is being pursued by Scarfone Hawkins ^{LLP} of Hamilton, a law firm with significant experience in handling complex class action claims on behalf of Plaintiffs.

Scarfone Hawkins ^{LLP} acted as lead counsel in successful settlement of claims against London Life Insurance Company and Canada Life Assurance Company involving “premium off-set” life insurance policies, on behalf of more than 1 million policyholders across Canada.

Scarfone Hawkins ^{LLP} also acted last year in a successful class action claim against Canada Post relating to the sale of 150,000 CD-Roms that advertised “free unlimited internet access for life” but did not perform as represented.

Scarfone Hawkins ^{LLP} also acts in a class action lawsuit against Bell Canada relating to alleged unilateral billing changes in Bell’s First RateTM long distance plan. That action has been settled and Court approval of the settlement is pending.

Scarfone Hawkins ^{LLP} also acts in a class action claim against Dr. Salim Daya and Hamilton Health Sciences Corporation in respect of alleged unnecessary and inappropriate surgery performed on 93 patients between January, 1998 and April, 2003.

More information is available on the Scarfone Hawkins ^{LLP} class action website at www.classactionlaw.ca.

For more information contact David Thompson of Scarfone Hawkins ^{LLP} at 905-523-1333.