

Payday loan clients to share \$3M settlement

The Cash Store Inc. and Instalogs agree to pay money over interest charges and other fees

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STAR STAFF

Payday loan clients of The Cash Store Inc. and Instalogs stand to share in a \$3 million settlement of a class-action lawsuit.

Lawyer David Thompson of Scarfone Hawkins LLP of Hamilton said today he has negotiated the settlement, subject to court approval.

The proposed deal calls for half of the money to be paid in cash and half in vouchers to borrowers outside of British Columbia and Alberta.

Clients will be eligible to share in the settlement will have received and repaid loans, plus a standard broker fee of 22.54 per cent of loans up until March 11, 2004 and 25 per cent afterward.

Thompson said in a news release that Cash Store has also agreed to spend \$50,000 to create and distribute credit counselling materials at its retail locations, and to comply with present and future legislative changes.

A hearing to review the settlement is scheduled for June 4 at 10 a.m. before the Superior Court of Justice.

Various payday lenders have been charging a combination of interest and fees for short-term loans that, if expressed as annual interest rate, would far exceed the 60 per cent limit set in the Criminal Code of Canada.

But Ottawa recently granted an exemption to so-called usury law where provinces regulate payday lenders.

Ontario is now holding consultations on its plan regulate payday lending practices and loan charges.