

Payday Loan Customer Study
Canadian Payday Loan Association
September 2010

Final Report



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1.0 Executive Summary

1.1 Background, Purpose, and Methodology

The Canadian Payday Loan Association (CPLA) commissioned Thinkwell Research to conduct a survey of current payday loan customers in Prince Edward Island, New Brunswick and Nova Scotia about their practices and opinions of various financial products.

CPLA is primarily interested in obtaining information on three overarching themes as they relate to payday loan customers:

1. Current lending and borrowing behaviours for various financial products;
2. Current behaviours related to payday loans specifically; and
3. Opinions of payday loan customer service, privacy and limits.

In consultation with its partners, CPLA developed the survey instrument. It was later refined by Thinkwell Research. The questionnaire can be seen in Section 5.

Invitations were sent to licensed payday loan lenders in Nova Scotia, New Brunswick and Prince Edward Island. Customer lists provided included those who had used payday loan services within the past 90 days. The letter of invitation can be seen in Section 6.

The survey was conducted by telephone among a random sample of 350 payday loan customers. The margin of error for this survey is +/- 5.1%, 19 times out of 20.

The interviews were conducted between August 30th and September 5th, 2010 by the Market Research Division of IMP Customer Care from their call centre facility in Windsor, Nova Scotia.

The percentages cited in this report have been rounded to the nearest full point. As a result the percentages listed for some questions may not add up to 100.

1.2 Key Findings

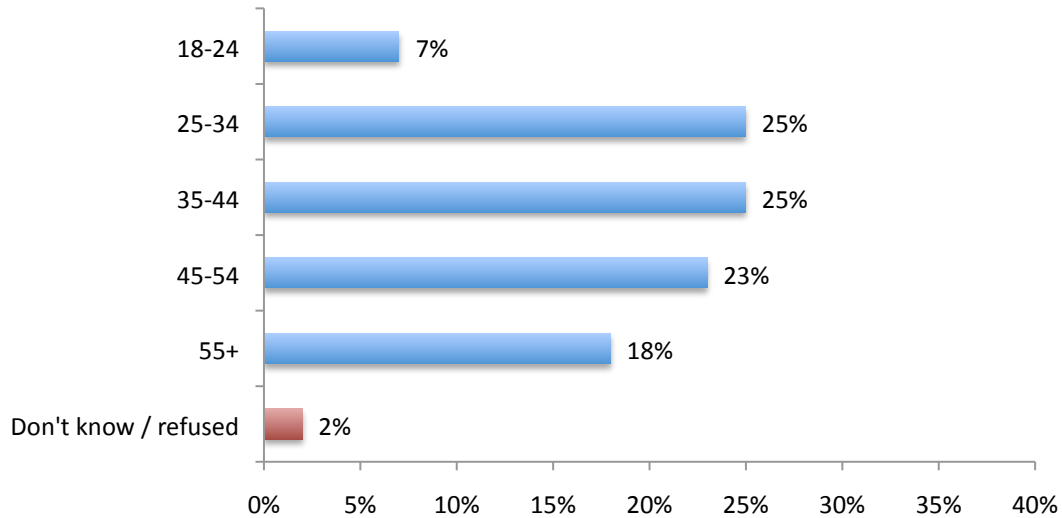
- Over half of payday loan customers indicate they have used 6 of the 7 listed financial products in the past (personal loan with bank or credit union, car loan, line of credit, major credit card, retail credit card, debit card and overdraft protection.)
- More than half of the customers select a payday loan as opposed to other products because they believe the process is “quick and easy”.
- The most common reasons for needing a payday loan are emergency cash to pay for necessities (36%) and to help out with an unexpected expense (24%).
- The strong majority of payday loan customers (89%) pay back *all* of their loans on time.
- Customers are extremely satisfied with the level understanding for the terms of their loan, their customer service representative and overall customer service; all three attributes received mean scores above 9 on a 10-point scale.
- With means scores of only 3.3 and 2.5 respectively, customers largely disagree that governments should have the ability to set limits on the amount of loans an individual can receive and that payday loan providers should be able to share their personal information with other lending institutions.
- There is strong agreement among customers (mean score of 8.5) that individuals should be able to receive a loan whenever they need it.

2.0 Detailed Findings

2.1 Respondent Profile

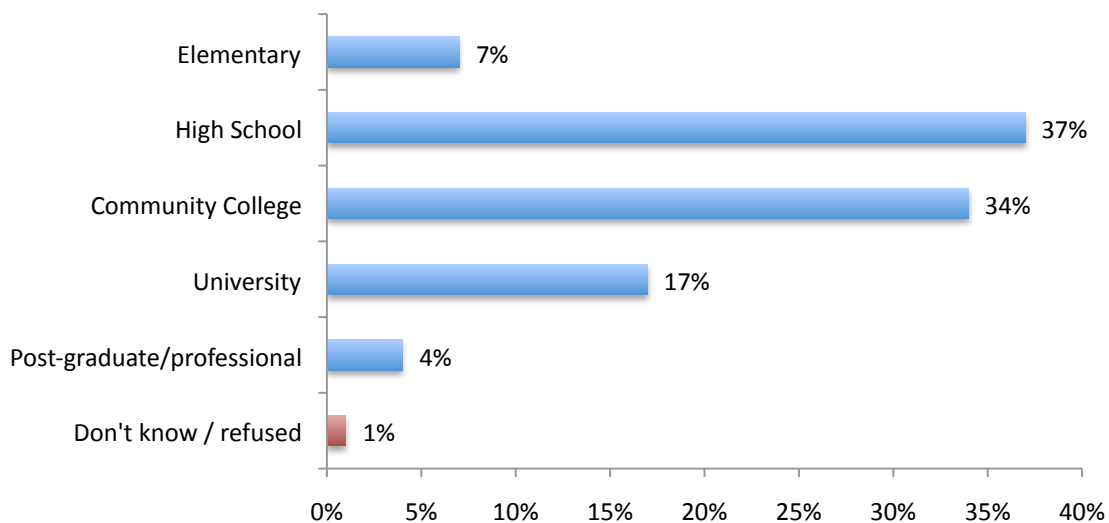
Payday loan customer respondents (herein referred to as “customers”) represent a wide range of age groupings. The mean is 42 years of age.

Figure 1: Customer age groups



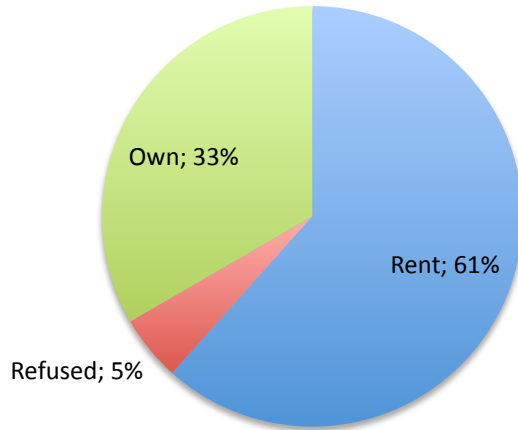
Customers also report varying degrees of education. More than one-half (55%) have a post-secondary diploma or degree.

Figure 2: Customer education levels



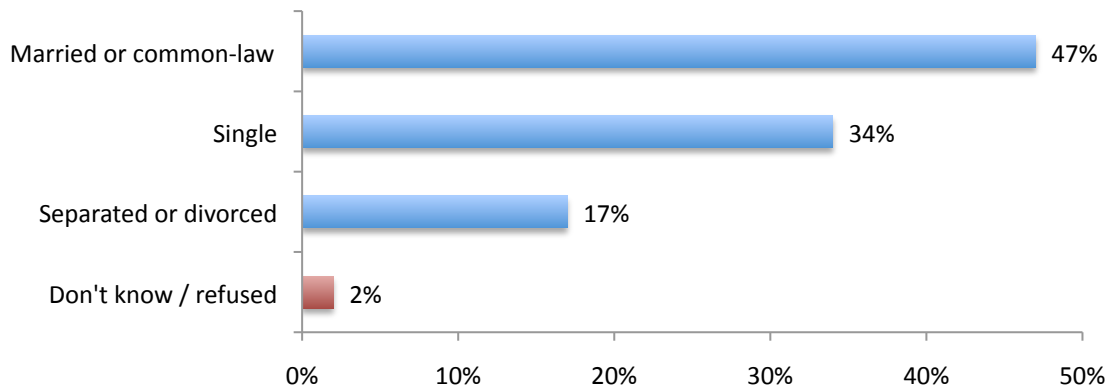
The majority (61%) of customers rent as opposed to owning (33%) their residence.

Figure 3: Customer dwelling type



Almost half (47%) of payday loan customers say they are either married or living common-law. This compares to 34% who say they are single and another 17% who say they are either currently separated or divorced.

Figure 4: Customer marital status



The majority of customers are currently working with most employed full-time (62%). Less than one in ten say they are either employed part-time (7%), self-employed (3%) or are unemployed (7%). An additional 13% say they are retired while the remainder of customers are students (2%), disabled (2%), homemakers (1%), on leave (1%) or in a seasonal or casual position (1%).

Table 1: Customer employment status

Status	
Employed full-time	62%
Retired	13%
Employed part-time	7%
Currently unemployed	7%
Self-employed	3%
Student	2%
Disabled	2%
On leave	1%
Casual/seasonal	1%
Homemaker	1%
Don't know / refused	1%

Seven in ten (70%) customers have household incomes greater than \$25,000, with most of this group reporting that their income falls between \$25,000 and \$50,000 (41%) or \$50,000 and \$75,000 (17%). Another 8% have household incomes between \$75,000 and \$100,000.

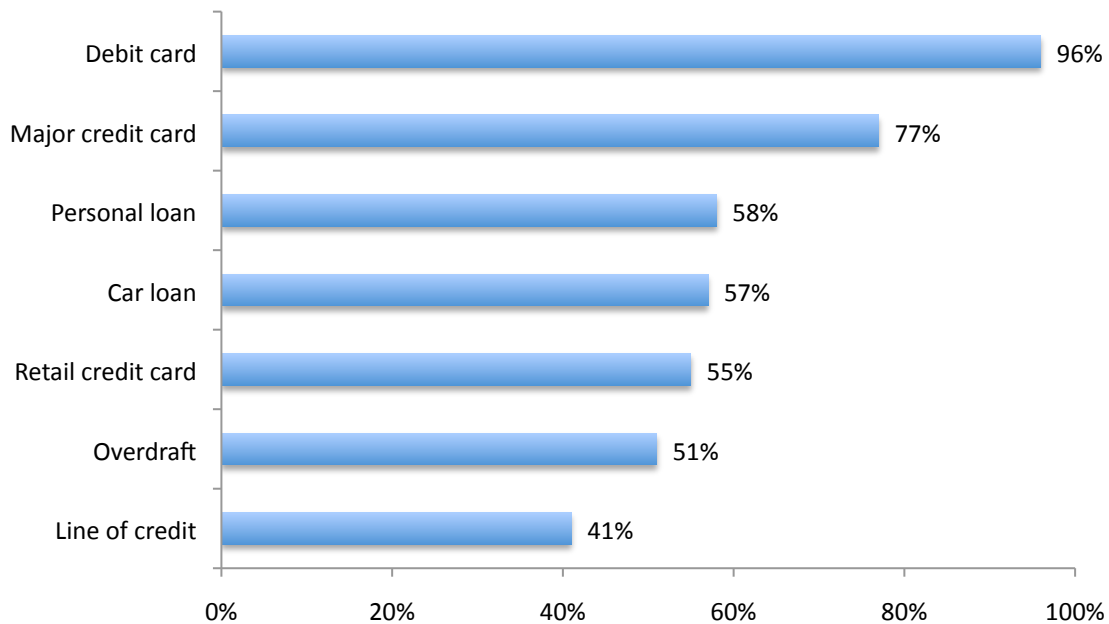
Table 2: Customer income levels

Income level	
Less than \$25,000	24%
\$25,000 to less than \$50,000	41%
\$50,000 to less than \$75,000	17%
\$75,000 to less than \$100,000	8%
\$100,000 or more	4%
Don't know / refused	7%

2.2 Use of Various Financial Products

More than half of payday loan customers have ever had or used each of the financial products listed in the survey with the exception of a line of credit (only 41% report previous use). Almost every (96%) customer has previously used a debit card, followed by 77% who have used a major credit card¹. Smaller majorities report having held a personal loan (58%), a car loan (57%) a retail credit card² (55%), or overdraft protection at their bank (51%).

Figure 5: Previous use of various financial products



2.3 Payday Loan Characteristics and Opinions

2.3.1 Reasons for choosing payday loan

Customers provide a variety of reasons for choosing a payday loan instead of other financial products and services. The most popular reason is that customers perceive the process to be quick and easy (57%). For a complete list of reasons see *Table 3*.

¹ Described to respondents as a “major credit card such as, VISA, Mastercard, or AMEX”

² Described to respondents as a “retail credit card such as, Canadian Tire card, Sears card, or a gas card”

Table 3: Reasons for choosing payday loan

Reason – 4% or greater	
Quick and easy process	57%
Convenience	14%
Necessity / emergency	14%
Bad credit / no credit check	13%
No other alternative source of borrowing	6%
Discipline of short term or no revolving debt forces me to pay it back more quickly	4%

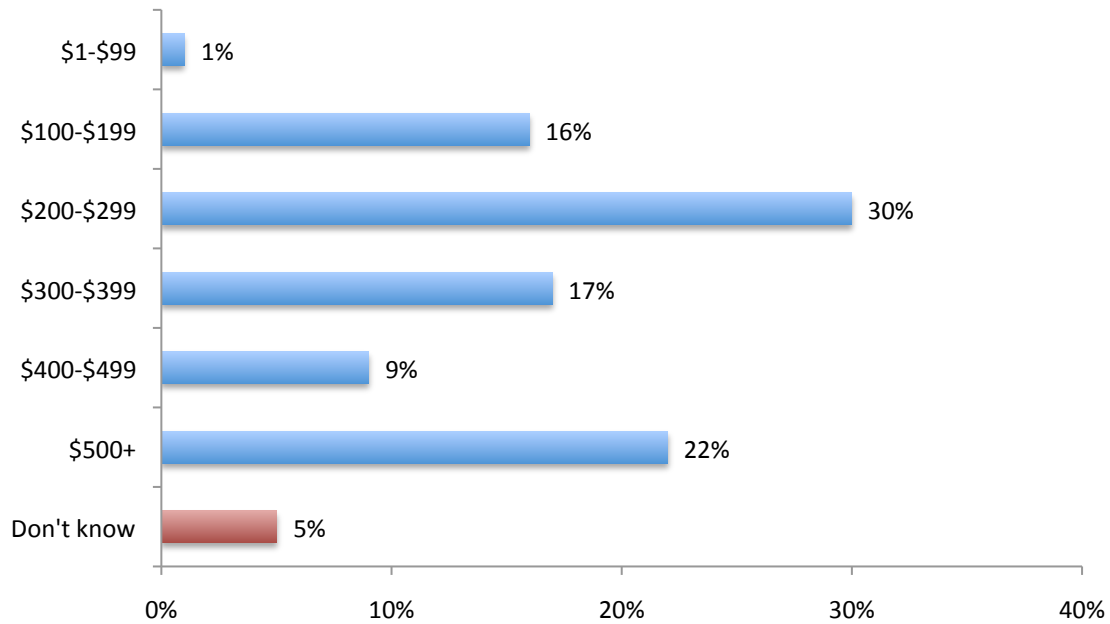
Customers provide predictable reasons for *needing* the payday loan they received. More than one third (36%) of customers say they needed the funds for ‘emergency’ cash to pay for necessities, followed by approximately one in four (24%) who say they needed help with an unexpected expense. Less than one in ten say their main reason was either to help avoid late charges on routine bills (9%), to help get through a temporary reduction in income (7%), or expenses related to moving or rent (5%) – see *Table 4*.

Table 4: Reasons for needing payday loan

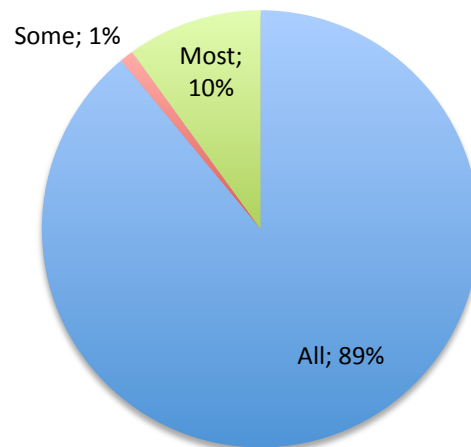
Reason – 4% or greater	
Emergency cash to pay for necessities	36%
Help out with an unexpected expense	24%
Help avoid late charges on routine bills	9%
Help get through temporary reduction in income	7%
Rent/moving/starting over	5%
To buy something you wanted	4%

2.3.2 Characteristics of payday loan

Most customers normally borrow modest amounts when they get a payday loan; three in ten (30%) borrow amounts between \$200 and \$299 on average and less than two in ten borrow either \$300 to \$399 (17%) or between \$100 to \$199 (16%). Only 22% say they receive payday loans in excess of \$500. The mean loan amount is \$331.

Figure 6: Average amount of payday loan

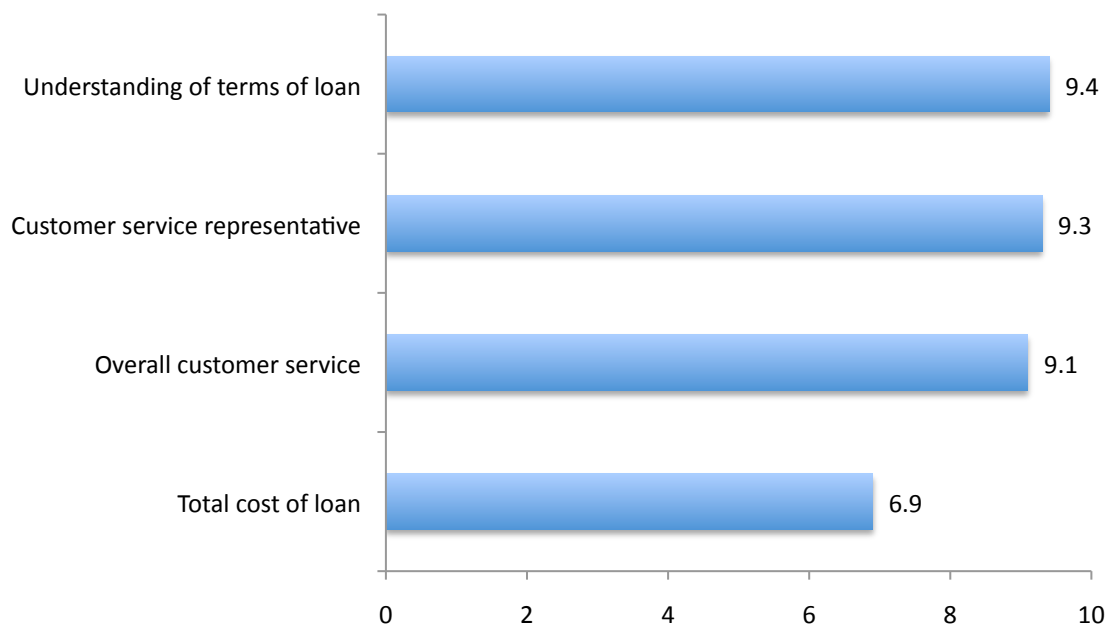
The vast majority (89%) of payday loan customers pay back *all* of their loans on time, while 10% say that *most* of their loans are paid back on time and only 1% say the loans are paid in a timely fashion *some* times.

Figure 7: Frequency of timely loan re-payment

2.3.3 Satisfaction with payday loan attributes

Generally, payday loan customers are very satisfied with their lending experience from a payday loan company. On a 10-point scale where 1 is *very dissatisfied* and 10 is *very satisfied*, customers report a very high average score for their understanding of the terms of the loan and when payment was due (9.4), how they were treated by the customer service representative who provided their loan (9.3), and their overall customer service experience (9.1). Customers rate the total cost of the payday loan - including the interest and administration fees - lower with a mean score of 6.9.

Figure 8: Satisfaction with payday loan attributes (mean score on 10-point scale, where 1 is very dissatisfied and 10 is very satisfied)

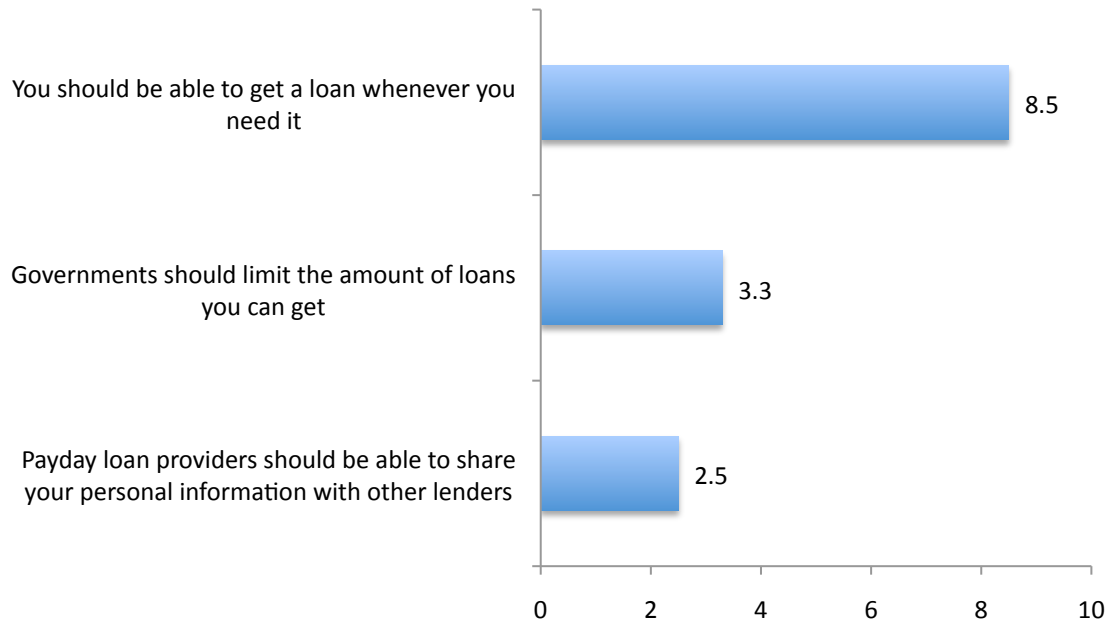


2.3.4 Payday loan related opinions

Payday loan customers have very strong opinions with some contentious ideas related to payday loan practices. On a 10-point scale where 1 is *disagree strongly* and 10 is *agree strongly* customers largely believe that payday loan providers should not be able to share personal information with other lenders (mean score of 2.5, with 67% saying they *disagree strongly*) and governments should not have the ability to limit the amount of loans a person can get (mean score of 3.3, with 56% saying they *disagree strongly*).

Additionally, customers are largely in favour (mean score of 8.5, with 53% saying *agree strongly*) of being able to receive a loan whenever they need.

Figure 9: Agreement with various ideas related to payday loans (mean score on 10-point scale, where 1 is disagree strongly and 10 is agree strongly)



To further illustrate the level of agreement or disagreement with the various ideas related to payday loans, please see Table 5 below that shows customer ratings on the 10-point scale.

Table 5: Agreement with various ideas related to payday loans (score on 10-point scale, where 1 is disagree strongly and 10 is agree strongly)³

	Mean	Disagree strongly (1-3)	Mid-4 box (4-7)	Agree strongly (8-10)
You should be able to get a loan whenever you need it	8.5	3%	20%	73%
Governments should limit the amount of loans you can get	3.3	65%	18%	16%
Payday loan providers should be able to share your personal information with other lenders	2.5	75%	15%	7%

³ Analysis does not include “don’t know” responses for each statement

3.0 Methodology

3.1 Survey design

The questionnaire was designed by the Canadian Payday Loan Association in consultation with its partners and refined by Thinkwell Research.

3.2 Sample Design and Selection

The sample for this study was provided by payday loan companies. Invitations were sent to licensed payday loan lenders in Nova Scotia, New Brunswick and Prince Edward Island. The customer lists that were provided included those who had used payday loan services within the past 90 days. The total sample included 7,300 unique records.

3.3 Survey Administration

The survey was conducted between August 30th and September 5th, 2010. IMP Customer Care - Market Research Division conducted the survey from their call centre facility in Windsor, Nova Scotia. All telephone interviewing was conducted by fully trained (Marketing Research Association Professional Interviewer Training Program) and supervised interviewers. At a minimum, 5 percent of calls were validated randomly through telephone and visual monitoring with at least 75% of each interview monitored.

3.4 Completion results

The rate of response for the survey was 9 percent. The response rate is calculated as the number of cooperative contacts (432) divided by the total number of eligible numbers attempted (4,923). The final disposition of all telephone numbers called is shown below in accordance with the Marketing Intelligence and Research Association's *Empirical Method of Response Rate Calculation Formula*.

A (1-14)	Total Attempted	6194
1	Not in service	204
2	Fax	11
3	Invalid #/Wrong#	1056
B (4-14)	Total Eligible	4923
4	Busy	64
5	Answering machine	2655
6	No answer	875
7	Language barrier	7
8	Ill/Incapable	0
9	Eligible not available/Callback	807
C (10-14)	Total Asked	515
10	Household/Company Refusal	0
11	Respondent Refusal	66
12	Qualified Termination	17
D (13-14)	Co-operative Contact	432
13	Not Qualified	82
14	Completed Interview	350
	REFUSAL RATE	16%
	(10+11+12) / C	
	RESPONSE RATE	9%
	D (13-14) / B (4-14)	

3.5 Sampling Error

As with any quantitative study, the data reported in this research are subject to **sampling error**, which can be defined as the likely range of difference between the reported results and the results that would have been obtained had we been able to interview *everyone* in the relevant population. Sampling error decreases as the size of the sample increases and as the percentage giving a particular answer moves toward unanimity.

At the 95% confidence level, “worst-case” potential *sampling error* for a sample of 350 in a population of 7,300 is ± 5.1 percentage points.

4.0 About Thinkwell Research

Thinkwell Research is a Halifax, Nova Scotia based market and public opinion research firm.

Thinkwell has conducted a large number of research projects for clients in a wide range of sectors including government, post secondary education, personal finance, telecommunications, energy, retail, natural resources, agriculture, personal fitness, and information technology. In the process, Thinkwell has conducted customer and employee satisfaction surveys, market feasibility studies, public policy and political surveys, literature reviews (secondary research) and brand positioning research.

Thinkwell Research is proud to be the Atlantic Canadian member of the **Nanos Research Group**. Nanos Research (formerly SES) is one of North America's premier marketing and public opinion research firms. The Nanos Research Group is a national team of like-minded research professionals and organizations bound by a common commitment to quality research and services as well as superior research outcomes.

Thinkwell's membership in this group allows our clients to access a network of marketing research companies throughout Canada. In addition, Thinkwell has access to a broad network of research professionals who can serve in a consulting capacity on projects conducted by Thinkwell in Atlantic Canadian markets.

Thinkwell has successfully completed the Market Research Intelligence Association (MRIA) **Gold Seal** certification. MRIA's Gold Seal Certification involves a monitored self-assessment process – working with an independent, third party Reviewer – based on the certification process of the former Canadian Association of Market Research Organizations. Gold Seal Certification is one of MRIA's primary mechanisms for developing and delivering world-class professional standards and ensuring member compliance.

Confidentiality

As with any public opinion research project, confidentiality is of the utmost importance.

Thinkwell Research has established high standards for the safeguarding of personal information based on the ten principles set out in the Canadian Personal Information Protection and Electronic Documents Act (PIPEDA). For more information on our privacy policy, please visit <http://www.thinkwellresearch.ca/privacy.html>.

Len Preeper, President and Founder

Len Preeper is the owner and President of Thinkwell Research. He began working in the public opinion and market research industry in 1995 with Corporate Research Associates. In 1996 he joined the Nova Scotia government where he served in a variety of research and policy advisory roles before co-founding OpinionTrac Research in the fall of 2000. He founded Thinkwell Research in August of 2003.

During his research career Len has conducted a number of research projects for government departments and private sector clients, including Sobeys, Irving Oil, Aliant Telecom, Emera/Nova Scotia Power, National Sea, the Nova Scotia Department of Energy, the Nova Scotia Department of Justice, the Nova Scotia Department of Transportation & Public Works, the Nova Scotia Gaming Corporation, Nova Scotia Health Promotion, the Canadian Cancer Society, Smoke Free Nova Scotia, the Coady International Institute, the GrowthWorks Atlantic Venture Fund, the Canadian Petroleum Products Institute, Dalhousie University, Mount Saint Vincent University, Tourism PEI, ACOA and the CBC. He has managed three large scale syndicated research projects - the CRA Atlantic Omnibus Survey, the OpinionTrac Quarterly Review, and the Nextbus Survey.

Len is a Professional Member of the Marketing Research and Intelligence Association (MRIA), a Canadian not-for-profit association representing all aspects of the market intelligence and survey research industry. He has also been employed as a part-time professor of political science at Acadia University. He has taught an introductory level class in political science and a third-year undergraduate course in public opinion and polling.

Len has a Bachelor of Arts (Honours) degree in Political Science from Acadia University and a Master of Arts degree in Political Studies from Queen's University.

5.0 Questionnaire

CPLA Payday Loan Customer Survey – August 2010

Hi. I'm calling from Thinkwell Research. May I please speak to...

(IF SPEAKING) Continue

(IF YES) Thank you.

(IF NO) When is a better time for me to call back? (SCHEDULE CALL APPOINTMENT)

(IF REFUSED) Thank and terminate.

I would like to ask you some questions about a number of companies you may do business with. All of your answers will be completely confidential. Is this a good time for you to answer some questions?

(IF YES) CONTINUE.

(IF NIO) When is a better time for me to call back? (SCHEDULE CALL APPOINTMENT)

(IF NO) This is not an attempt to sell you anything – you have been chosen at random to obtain your opinions and input. Your opinions are important. Your responses will be kept strictly confidential and used for statistical purposes only. Individual participants in the survey will not be identified in any way.

The survey is about 5 minutes in length depending on your answers.

Date: _____

Time: _____

n=350

1. Would you mind telling what year you were born? (RECORD NUMBER)
VOLUNTEERED
9 Refused to say

Which of the following financial products or services have you ever had or used in the past? (READ AND ROTATE LIST: ALLOW MULTIPLE MENTIONS)

- 2A. A personal loan with a bank or credit union?
1 – Yes
2 – No
VOLUNTEERED
9 – Don't know/refused
- 2B. A car loan?
1 – Yes
2 – No
VOLUNTEERED
9 – Don't know/refused
- 2C. A line of credit?
1 – Yes
2 – No
VOLUNTEERED
9 – Don't know/refused
- 2D. A payday loan (**MUST ANSWER "YES" to PAYDAY LOAN. Otherwise THANK AND TERMINATE – KEEP TALLY OF DISQUALIFICATIONS**)
1 – Yes
2 – No **THANK AND TERMINATE**
VOLUNTEERED
9 – Don't know / refused **THANK AND TERMINATE**
- 2E. A major credit card, such as VISA, Mastercard, AMEX?
1 – Yes
2 – No
VOLUNTEERED
9 – Don't know/refused

2F. A retail credit card, such as Canadian Tire Card, Sears Card, or a Gas Card?

1 – Yes

2 – No

VOLUNTEERED

9 – Don't know/refused

2G. A debit card?

1 – Yes

2 – No

VOLUNTEERED

9 – Don't know/refused

2H. Overdraft protection at your bank?

1 – Yes

2 – No

VOLUNTEERED

9 – Don't know/refused

Now thinking of the payday loan you received...

3. There are many reasons why people choose to obtain a payday loan instead of getting other financial products or services. What was the most important reason you chose to obtain a payday loan rather than using another source of financing? (**DO NOT READ LIST: PROBE:** Any other reasons?)

1 – Quick and easy process

2 – A more convenient location

3 – No other alternative source for borrowing

4 – Discipline of short term or no revolving debt forces me to pay it back more quickly

5 – Necessity/need it/emergency

6 – Bad credit/No credit check

7 – Greater privacy

8 – Less harm to my credit

9 – Less expensive than other services borrowing cash

10 – Convenience (Non specific)

11 – More respectful employees

88 – Other (specify: _____)

99 – Don't know / refused

4. Which of the following was the main reason why you needed a payday loan?

(READ LIST)

- 1 – For ‘emergency’ cash to pay for necessities
- 2 – To help out with an unexpected expense, like a car or household repair
- 3 – To help avoid late charges on routine bills
- 4 – To avoid bouncing cheques
- 5 – To help get through temporary reduction in income
- 6 – To buy something you wanted
- 7 – Rent/moving/starting over
- 8 – All of the above
- 9 – Other (specify: _____)
- 10 – Don’t know / refused (**DO NOT READ**)

5. On average, how much money do you normally borrow when you get a payday loan? (**ENTER DOLLAR AMOUNT ONLY. NO CENTS**)

VOLUNTEERED

- 9 – Don’t know / refused

6. Thinking about all the payday loans you received in the past, did you pay back all, most, some, or none of the loans back on time?

- 1 – Paid back all the loans on time
- 2 – Paid back most of the loans on time
- 3 – Paid back some of the loans on time
- 4 – Paid back none of the loans on time
- 9 – Don’t know / refused (**DO NOT READ**)

Thinking about the payday loan that you last received, please indicate your overall satisfaction with each of the following attributes. Please use a scale of 1 to 10 where 1 means you are “very dissatisfied” and 10 means you are “very satisfied”.

(READ AND ROTATE)

7. Your understanding of the terms of the loan and when payment was due.

VOLUNTEERED

- 9 – Don’t know / refused

8. The total cost of the payday loan, including interest and administration fees

VOLUNTEERED

- 9 – Don’t know / refused

9. The way you were treated by the customer service representative who provided your loan

VOLUNTEERED

- 9 – Don’t know / refused

10. The overall customer service experience

VOLUNTEERED

9 – Don't know / refused

Now, thinking about payday loans in general, please indicate your level of agreement with the following statements. Please use a scale of 1 to 10 where 1 means you "disagree strongly" and 10 means you "agree strongly".

11. If you take out a payday loan, the payday loan provider should be able to share your personal information with other lenders, banks and credit unions.

VOLUNTEERED

9 – Don't know / refused

12. Since credit cards can be used at any time, as long as the credit limit is not exceeded, you should also be allowed to get a payday loan whenever you need it, as long as you repay the loan.

VOLUNTEERED

9 – Don't know / refused

13. The government should limit the number of payday loans you can get.

VOLUNTEERED

9 – Don't know / refused

DEMOGRAPHICS

Now I'm going to ask you a few questions that will help us to better analyze the results of this survey...

14. What is the highest level of school that you have completed? **(READ LIST)**

1 - Elementary school

2 - High school

3 - Community College

4 - University

5 - Post-graduate/professional

9 - Don't know / refused **(DO NOT READ)**

15. Do you rent or own a home? **READ LIST)**

1 – Rent

2 – Own

9 – Don't know / refused **(DO NOT READ)**

16. What is your current marital status? **READ LIST)**
1 – Married, or living together common-law
2 – Separated or divorced
3 – Single, never married
9 – Don't know / refused (**DO NOT READ)**
17. Would you describe yourself as...? (**READ LIST)**
1 – Currently employed full-time
2 – currently employed part-time
3 – Self- employed
4 – currently unemployed
5 – Retired
6 – A homemaker
7 – A student
8 – Other (specify: _____)
9 – Don't know / refused (**DO NOT READ)**
18. What is the total annual household income of your family, before taxes? Is it....?
(READ LIST)
1 – Less than \$25,000
2 - \$25,000 to less than \$50,000
3 - \$50,000 to less than \$75,000
4 - \$75,000 to less than \$100,000
5 - \$100,000 or more
9 – Don't know / refused (**DO NOT READ)**
19. Gender (**RECORD)**
1 – Male
2 – Female

6.0 Letter of Invitation

Re: Payday Loan Consumer Study

Thinkwell Research has been commissioned by the Canadian Payday Loan Association to conduct a telephone survey of payday loan customers. This research will be used as important background information prior to the commencement of a hearing of the Nova Scotia Utility and Review Board (NSUARB) related to payday loan lending practices.

To conduct this research, we will need to access customer databases from payday loan companies so we can quickly and efficiently administer the survey. This research is a necessary component of the Canadian Payday Loan Association's advocacy during the hearing's proceedings.

We therefore request that you provide us with a copy of your existing list of customers who have used your services within the last 90 days with the express knowledge that this information will be kept in strict confidence. The results of the survey will be reported on an aggregate basis and no results will be reported that could reasonably lead to the identity of any respondent. The results from individual lenders will not be reported, discussed or distributed to any third party including the Canadian Payday Loan Association. Your customer lists can be provided to Thinkwell to my attention in the following format:

- Excel (Microsoft)
- Numbers (Apple)
- Access (Microsoft)

Thank you again for your time, consideration and your assistance in this research. Please contact me if you have any questions regarding this request. (902.492.3407 or ryan@thinkwellresearch.ca).

Yours truly,

Ryan Grant
Research Analyst
Thinkwell Research