

British Columbia High-Cost Credit Rules Come Into Effect on May 1, 2022

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By David Stevens

On May 1, 2022, British Columbia will become the fourth Canadian province (along with Alberta, Manitoba and Quebec) to regulate high-cost credit products. After that date, there will be additional disclosure requirements and consumer rights for consumer credit products with interest rates above 32%, along with licensing requirements for lenders offering such products.

The new high-cost credit rules in British Columbia are set out in the *Business Practices and Consumer Protection Act* (pending amendments here) and the High-Cost Credit Products Regulation. The rules apply in relation to credit products for personal (not business) purposes with an annual percentage rate (“APR”) of 32% or more. Importantly, the high-cost credit rules do not apply in relation to a “credit sale” (sale of a product in which the purchase is financed by the seller or manufacturer of the product or by an associate of the seller or manufacturer) or a consumer lease. Further, the rules do not apply to business loans, nor to “payday loans” (small short-term credit agreements, which are already subject to regulation). Beyond these exceptions, the high-cost credit rules will apply to most other consumer loans or lines of credit in British Columbia where the APR (effective interest rate inclusive of additional non-interest charges) exceeds the 32% threshold.

A lender offering high-credit products in British Columbia must be licensed, with a separate licence to be obtained for each location from which the high-credit grantor conducts business in British Columbia. The high-cost credit grantor must not carry on business in a name other than that on the licence. Details of the licensing process are here. The licences must be in place for May 1.

The new Part 6.3 of the *Business Practices and Consumer Protection Act* sets out disclosure requirements for high-cost credit products. These go beyond what is required for other consumer credit agreements. This will likely require the preparation of new or updated consumer loan documents where the APR is above 32%. Another important change is that consumers have a one-day unilateral cancellation right (cooling-off period) for any high-cost credit product, along with an ongoing cancellation right where complete disclosure is not provided by the credit grantor.

The Financial Services Group at Aird & Berlis regularly acts for a broad range of lenders. Details are available at our Financial Services web page.

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