
NEWS RELEASE

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Ministry of Justice

New debt settlement laws will protect consumers

VICTORIA – Enhanced protections for B.C. families, particularly those in financial distress, are at the heart of legislative changes introduced today by the B.C. government.

The Province is taking action to regulate the debt settlement industry with amendments to the Business Practices and Consumer Protection Act (BPCPA). If passed, these amendments will prohibit debt settlement companies from charging fees until both the debtor and creditor have approved a debt repayment agreement. These amendments will also lay the foundation for additional new rules to safeguard consumers which government aims to bring into effect in fall 2015.

Debt settlement companies typically offer to negotiate, on behalf of a consumer, lump-sum settlements with creditors for amounts significantly less than the consumer's outstanding debt. Consumers are often required to pay excessive, largely non-refundable fees up-front and are encouraged to stop paying their debts and instead save up for a lump-sum settlement. This differs from traditional debt pooling services, which set up reduced-interest repayment plans that assist consumers with eventually paying off their full debts.

Many people are unable to save enough for the lump-sum settlement amount and subsequently 'drop out' of the program, losing any money they have already paid to the debt settlement company. There is no guarantee a creditor will accept the lump-sum settlement, although this risk is often not communicated to consumers. This can negatively affect credit scores and further accumulate debt, as late fees, missed payments and penalties build up.

Today's proposed changes, developed with advice from a debt collection industry advisory group and in consultation with Consumer Protection BC, would help prevent these negative practices and also modernize outdated provisions to ensure B.C.'s debt collection laws both reflect the present-day collection and credit industry and align with other Canadian jurisdictions.

Quotes:

Attorney General and Minister of Justice Suzanne Anton –

"We need to make sure that B.C. families are treated fairly when they are making tough decisions about how to be successful in their savings plans. With this proposed regulation of debt settlement companies, we can better assist families who are in financial hardship and help ensure they aren't unknowingly damaging their credit scores. By setting clear rules around the industry's practices and fees, we are protecting consumers from companies who make promises they cannot meet and cost consumers even more."

Rob Gialloreto, president and CEO of Consumer Protection BC –

“Consumer Protection BC supports these changes by the Province which reflect current marketplace realities and increase protections for consumers. We are very happy to see that all businesses that negotiate with a creditor on behalf of a consumer will need to be licensed and abide by the rules. We encourage British Columbians to be aware of their rights as consumers and to know what questions to ask so they can make informed decisions around their debt management options.”

Scott Hannah, president and CEO of the Credit Counselling Society of BC –

“This legislation will protect consumers in British Columbia when seeking help to better manage their finances. These changes to the debt repayment industry will give people more confidence to take control of their financial situation and we look forward to employing them, as we work to help British Columbians solve their debt problems.”

Quick Facts:

- The BPCPA already regulates:
 - Bailiffs (act or assist on behalf of another person to repossess or seize personal property or evict a person from a property);
 - Collection agents (represent the creditor); and
 - Debt poolers (represent the debtor).
- Over the last five years, Consumer Protection BC has received an average of 85 inquiries a year about debt settlement companies regarding such things as the legitimacy of businesses, licence status and fees involved in contract cancellations.

Learn More:

Consumer Protection BC, a non-profit corporation that licenses debt poolers and will now license debt settlers (collectively known as debt repayment agents), protects consumers and encourages a fair marketplace in B.C.: www.consumerprotectionbc.ca/

The Credit Counselling Society of BC: www.nomoredebts.org/

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