

Illegal for broker to demand money before receiving a loan

People who choose to go to loan brokers should



Pat Robinson
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be aware of a law that offers them protection from paying money toward a loan they never receive, said credit experts at the Ministry of Consumer and Commercial Relations.

Under the Loan Brokers Act, it is illegal for a loan bro-

ker to demand an upfront or advance fee for obtaining a loan, said Marilyn Gurevsky, a manager with the ministry.

In other words, whether it's called an administration fee, a finder's fee, a service charge or a deposit, if you're asked to hand over money before you have actually received a full amount of the loan, the brokerage is breaking the law.

Anyone who wants to deal with loan brokers should insist that any fee for obtaining the loan is deducted from the amount they receive.

Under the law, loan brokers:

- may not charge a fee before they obtain a loan for a customer;
- must give a full refund, within five days of any fees that may have been given up front;
- may be charged with civil damages greater than the fee charged in contravention of the act if the consumer takes the matter to court; and,

• if convicted, can be fined up to \$25,000 and one year imprisonment for individuals and up to \$100,000 for corporations.

The ministry cautions consumers to make certain they understand every part of their contracts with loan brokers before they sign.

But, before even thinking of calling a loan broker, Gurevsky said consumers should reach out toward an agency that can help them find the long-term solution.

The first place to turn to is the nearest member agency of the Ontario Association of Credit Counselling Services.

Staff at the service provides a full counselling session that is completely confidential and, in most offices, doesn't cost anything.

"If you read that last line and thought, 'What financial position, I'm just plain broke and there's no way out,' pick up the phone and call right now," said Gurevsky.

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60	\$780	\$1,490	\$2,910	\$1,798	\$3,465	\$6,725
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