

## Personal loans via Internet platforms: a financial service of the future?

*Executive summary*  
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In recent years, various social networks have been developed where Web users exchange music, movies, personal information, photos, and even money. Indeed, for almost 10 years, this new wave has produced Internet platforms for loans between individuals without recourse to traditional financial institutions. Extended accessibility, as well as the increasing time and attention given to social networks, have already resulted in a significant rate of penetration for certain new “social” financial products in other countries. Some of these platforms seem to be designed only to offer a financial service, but others display a more pronounced social concern. Lenders may select, based on criteria chosen by them, the individuals to whom they wish to lend, or the projects they wish to finance.

In these times of economic uncertainty, consumers may be tempted to experiment with original sources of funding, so it is urgent to collect objective information that will be explained to consumers in layman’s terms. The present study will provide tools to sometimes vulnerable consumers who might use Internet platforms to borrow or lend money. This study will also submit recommendations for ensuring that such platforms are established in a disciplined manner.

Our study analyses the market of Internet platforms for loans between individuals in order, notably, to determine their mode of operation, evaluate the pros and cons for consumers, and examine existing legal frameworks in Canada and abroad to assess whether they adequately protect those who would be attracted to this type of product.

The research shows that Internet platforms for loans between individuals can be of interest to potential borrowers, depending on their credit rating. In fact, on such platforms it is possible to obtain loans at rates as low as 7 or 8%, whereas the credit card interest rates of financial institutions hover around 20% and those of department stores 30%. Interest rates for loans extended on the alternative consumer credit market are even higher, and at times largely exceed the usury rate, set at 60% in Canada.

For lenders, Internet platforms for loans between individuals represent a new and interesting investment opportunity, with interest rates much higher than those offered by many of the investment products available at financial institutions. Investors are thus offered a profitable financial product that also enables them to factor social considerations in their choices. However, this investment opportunity is not without risk. Canadian regulations constitute a strict legal framework for Internet platform loans, so that “qualified investors” alone have access to them.

Our recommendations focus on the search for a just mean between the broadest possible access to this new financial product, and adequate consumer protection. The latter mainly depends on complete information being offered to potential investors, and on the product’s

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