

# **Pawnbrokers/Second-Hand Goods Shops**

## **Summary of Public & Industry Surveys**

### **1.0 Project Overview**

In 2019, Ottawa City Council directed staff to review the City's regulations regarding pawnbrokers and second-hand goods businesses, in part due to the Ontario government's steps towards repealing the provincial *Pawnbrokers Act*. Schedule 14 of the City's Licensing By-law currently regulates second-hand goods businesses, which includes pawnbrokers.

This by-law review will look at gaps created by the expected repeal of the *Pawnbrokers Act* and explore the possibility of modernizing regulatory requirements. Given the differing business models between pawnbrokers and other second-hand goods businesses, the review will also examine whether additional or different licensing requirements should be imposed depending on the nature of the business.

The review will look at practices in other municipalities as well as feedback from stakeholders and the public. A report on the by-law review, which would include any updated policy recommendations, was anticipated to be presented to the Community and Protective Services Committee and City Council in the Fall of 2020. However, as the *Pawnbrokers Act* has not yet been officially repealed by the Ontario government, and there is currently no indication as to when that repeal will take effect, staff are deferring the presentation of any new recommendations to a later date. Staff will continue to monitor the situation regarding the Act's repeal and will prepare to potentially move forward with any applicable policy recommendations should the status of the repeal remain unchanged.

Issues under consideration include:

- Transactional rules for pawning that are necessary for consumer protection, including regulations addressing a mandatory redemption period;
- Which types of "second-hand goods" should be regulated, and which should be exempted from all or some of the regulations;
- Electronic record-keeping and reporting requirements for operators who deal in second-hand goods that are purchased or pawned;

- Categories of second-hand goods businesses that may warrant different licensing requirements or an exemption from regulations;
- Potential regulation of purchase events;
- Licensing requirements, regulations or standards to promote consumer protection and/or public health and safety.

This document summarizes findings from the industry and public surveys that were available online from March to June 2020.

## **2.0 Methodology**

Beginning on March 12, 2020, two online surveys were launched on the City of Ottawa's website to solicit feedback and information on pawn shops and second-hand good stores. Both surveys were open until June 30.

The first survey was intended for owners and operators of second-hand good stores and pawn shops in the City of Ottawa. The survey contained 35 questions and touched on issues with respect to current provincial and municipal requirements for these types of businesses, as well as general operations. Industry survey questions are attached to this document as Appendix 'A'.

The second survey was intended for members of the public and contained 21 questions which spoke to the public's experiences with pawn shops specifically, as well as asking for additional feedback regarding second-hand stores in general. Public survey questions are attached to this document as Appendix 'B'.

## **3.0 Key Findings – Industry Survey**

Feedback from the industry survey was obtained from 32 respondents who either own or operate pawn shops or second-hand good stores in Ottawa. For reference, there are currently 86 active second-hand good operators licensed by the City, which includes pawn shop operators. Participants were asked a number of questions which covered the following topics: items purchased and sold, personal information and record keeping, identification, consumer protection, and general operational issues.

### **3.1 Items Purchased & Sold**

The City is examining potential regulatory changes for second-hand goods businesses with the intention of trying to prevent stolen goods from being purchased and re-sold. As such, industry survey participants were asked a series of questions relating to how their

second-hand goods are obtained and re-sold, and to provide any relevant feedback with respect to potential stolen goods.

### ***Obtaining second-hand goods***

Industry respondents indicated that the most common method for obtaining second-hand goods is through purchase or trade, with consignment, pawn and donation being used somewhat less often. These goods are primarily obtained directly at the licensed premises, as opposed to at auctions, garage sales, or purchase events.

### ***Purchase and re-selling***

The vast majority of respondents indicated that they purchase and re-sell at least 100 or more second-hand items per year, with almost half re-selling more than 1000 items per year.

### ***Stolen Goods***

On average, industry survey participants indicated that they do not frequently suspect that items presented to them for pawn or purchase are stolen. In situations when they have suspected an item is stolen, the most common items noted were bicycles and jewelry.

## **3.2 Personal Information and Record Keeping**

### ***Personal Information***

Industry survey participants were asked about the personal information collected when conducting transactions. For pawn shops specifically, personal information is currently collected as set out in the provincial *Pawnbrokers Act*, which requires that pawnbrokers collect the full name, address, sex, estimated age, height, and complexion of the individual pawning an item.

Collecting personal information such as a name and contact information from the persons they obtain second-hand goods from is common among almost all survey participants. Approximately the same amount who collect this information also indicated that they take photographs of second-hand goods in their possession, however not on all transactions.

### ***Electronic Record-Keeping***

Participants were also asked about recording transactions in an electronic format. Electronic record-keeping is not currently a requirement under the provincial *Pawnbrokers Act* or the City's current municipal regulations.

About two-thirds of respondents indicated that they track all transactions in an electronic format. A wide variety of software systems are used by licensees, including some that are customized to their specific business. Participants were also asked whether they would support a requirement for mandatory electronic record keeping. Responses to this question were split, with just under half (42%) of respondents being unsupportive of the requirement, and the remainder either being supportive (29%) or unsure (29%). For respondents who were not supportive or unsure, cost was the main reason specified.

### ***Reporting***

Lastly, industry respondents were asked about transaction records being reported to local authorities such as Ottawa By-law & Regulatory Services or Ottawa Police Services. Current provincial regulations for pawnbrokers require daily reporting to police, however the City's municipal second-hand good regulations do not require any regular reporting to authorities.

There was little support among industry survey participants for regular electronic reporting to either By-law and Regulatory Services staff or the Ottawa Police. Participants were also asked if they thought that only goods above a certain re-sale value should be reported. Just under half of respondents (43%) were supportive of this, 32% were not supportive, and 25% were unsure. For those that were supportive, most believed that items either over \$500 or \$1000 should be reported.

## **3.3 Identification, Background Checks, and Inspections**

### ***Capacity***

Participants expressed little to no concern about their ability to identify individuals who are either under the influence of drugs or alcohol, or who lack the capacity to enter into a proper contract or transaction.

### **Inspections**

71% of industry respondents indicated that they inspect second-hand goods they've obtained for pests (i.e. bedbugs), and 61% indicate they check for product recalls, expiry dates, and other safety concerns.

### **Background Checks**

The majority of respondents do not conduct criminal background checks on operators, managers, or employees. Those that do perform background checks mainly perform them on employees.

### **3.4 Consumer Protection**

As it relates to consumer protection, industry respondents were asked if they would be supportive of a requirement to post information regarding credit counselling on their premises. Out of the 13 respondents to answer this question, just over half were not supportive, with the remainder either being in favour of the requirement or unsure.

### **3.5 Operational**

The remaining questions with respect to miscellaneous operational issues did not garner enough substantive feedback due to lack of response (less than half the respondents answered each question).

## **4.0 Key Findings – Public Survey**

Feedback from the public survey was obtained from 313 respondents, represented as follows:

Table 1 - Public Survey Representation

<b>Category</b>	<b>Responses (%)</b>
<b>Gender</b>	Male: 27% Female: 73%
<b>Location</b>	Urban: 59% Suburban: 34% Rural: 7%

Category	Responses (%)
<b>Age</b>	18-34: 20% 35-44: 21% 45-54: 21% 55-64: 21% 65+: 17%
<b>Education Level</b>	High School or Less: 12% College or Equivalent: 26% University: 62%
<b>Language</b>	English: 92% French: 6% Other: 2%

Participants were asked a number of questions regarding pawn shops specifically, as well as additional questions regarding second-hand stores more generally.

#### **4.1 Pawn Shops**

Public survey participants were asked about any past experiences they've had using a pawn shop, in particular about the details related to pawn transactions and the required redemption period. Currently, Provincial legislation mandates a one-year redemption period for all pawn transactions. This is the period of time in which an individual can repay the loan they were given by the pawnbroker and re-claim the item that was pawned. As in the industry survey, members of the public were also asked if they would be supportive of a requirement for pawn shops to post information about credit counselling on their premises.

##### ***Pawning an Item***

The majority of participants indicated that they have not actually pawned an item with a pawnbroker, but for those that have, the most common reason for doing so was that emergency funds were needed or that other forms of credit were not available. Most respondents (57%) who obtained a loan from a pawnbroker repaid the loan within the redemption period.

### ***Pawn Transactions***

These transactions include specific fees and charges, and most respondents (60%) indicated that they did not fully understand the associated fees when making the transaction. Participants were also asked about providing photo identification when receiving a loan from a pawnbroker, with just over half of those who responded indicating that they did not provide photo ID, primarily because they were not asked to by the pawnbroker.

### ***Redemption Period***

As the provincial *Pawnbrokers Act* is set to be repealed on a date still to be determined, and thus provisions such as the one-year redemption period would no longer be in force, the public was asked what they thought a reasonable redemption period would be. The most popular answers were either 60 days or 90 days.

### ***Credit Counselling Information***

Approximately 80% of respondents were in favour of pawn shops being required to post information about credit counselling on their premises.

## **4.2 Reporting and Record Keeping**

As it relates to pawn shops, as well as second-hand goods stores in general, approximately 70% of respondents believe that second-hand goods stores and pawn shops should regularly report information to either City By-law and Regulatory Services staff, Ottawa Police, or both. Respondents were also largely in favour of information such as serial numbers (92%), identifying features (82%), a description of the item (75%), and photographs (72%) being reported for completed transactions. Several respondents also suggested that the information being reported should depend on the value of the item (i.e. higher value would mean more information required). The majority of participants believed that reporting should only be required for certain types of goods. In particular, most believed that goods such as jewelry, bicycles, electronics, musical instruments, and tools should have reporting requirements.

## **4.3 Inspecting Second-Hand Goods**

Public survey participants were asked about inspecting second-hand goods that they purchase. A majority of respondents (64%) indicated that they check goods for pests (i.e. bed bugs). Approximately 35% indicated they check applicable expiry dates and

about 25% indicated they check for any product recalls. In addition, some respondents also indicated looking into the overall condition and operation of the item(s) purchased.

## **5.0 Next Steps**

All feedback received through these surveys will be reviewed and assessed by City staff in the Public Policy Development Branch to help develop the final policies and recommendations that will be included in a staff report to the Community and Protective Services Committee and City Council for their consideration and final approval.



## Appendix 'A' – Industry Survey Questions

1. What type of second-hand goods do you sell in your establishment?
2. How do you obtain second-hand goods you sell in your establishment?
3. Approximately how many items do you take in pawn per year?
4. Approximately how many second-hand items do you purchase for resale per year?
5. Approximately how many second-hand items do you resell per year?
6. Do you collect personal information, such as name and contact information, on the persons you obtain second-hand goods from for business or other purposes?
7. Do you take photos of second-hand goods in your possession?
8. Do you currently track transactions in an electronic format?
9. If you answered yes to the last question, what do you use for electronic record keeping?
10. Would you support mandatory electronic record keeping?
11. If you answered no to the last question, why not?
12. Would you support a requirement for regular electronic reporting of transaction records to:
  - a. By-law
  - b. Police
  - c. Both
  - d. Neither
  - e. Unsure
13. If you answered yes to the last question, how frequently do you think reporting should be required?
14. Do you think only pawned or purchased second-hand goods above a certain resale value should be reported to police?
15. If you answered yes to the last question, what threshold would you suggest? Items with a resale value above:
  - a. \$25
  - b. \$50
  - c. \$100
  - d. Other
16. Do you have commercial general liability insurance?
17. If you answered yes to the last question, what is your policy limit?
18. How frequently do you suspect items presented for pawn or purchase are stolen?
19. If you have suspected items were stolen, what types of items were these?

20. What portion of items you take in pawn or purchase have a resale value under \$25?
21. What portion of items you take in pawn or purchase have a resale value between \$25-\$50?
22. What portion of items you take in pawn or purchase have a resale value between \$50-100?
23. What portion of items you take in pawn or purchase have a resale value above \$100?
24. Do you feel confident you can identify persons appearing to be under the influence of alcohol or drugs?
25. Do you feel confident you can identify persons appearing to lack capacity to enter into a contract?
26. Do you purchase or take items in pawn at locations other than the licensed premises? (ex. at auctions, garage sales, or purchase events?)
27. Do you inspect-second hand goods for pests such as bedbugs?
28. Do you check second-hand goods for product recalls, expiry dates, and other safety concerns?
29. Do you conduct criminal record checks on any of the following persons?
  - a. Operators
  - b. Managers
  - c. Employees
  - d. None
30. If you conduct criminal record checks, what type of record check do you perform?
31. Do you currently submit daily transaction reports to police in an electronic format?
32. Upon repeal of the Pawnbrokers Act, do you intend to change your hours of operation to be open during the following times?
  - a. Sundays
  - b. Overnight
  - c. Holidays
33. Would you support posting information for your customers on credit counselling in your establishment?
34. When do your customers most frequently return to redeem a pawn ticket?
35. What do you think is a reasonable redemption period for items taken in pawn?

## Appendix 'B' – Public Survey Questions

1. Have you ever pawned an item to receive a loan from a pawnbroker?
2. If you answered yes to the last question, why did you obtain a loan from a pawnbroker?
3. How many times in the last year have you pawned items?
4. If you have obtained a loan from a pawnbroker, did you understand all the fees that would be charged (ex. interest and storage)?
5. If you have obtained a loan from a pawnbroker, did you show photo identification?
6. If you answered no to the last question, why did you not show photo ID?
7. If you have obtained a loan from a pawnbroker, did you return to repay the loan and reclaim the item within the redemption period?
8. What do you think is a reasonable time for someone to repay a loan to a pawnbroker before a pawned item can be resold?
9. Would you support requiring pawn shops to post information on credit counselling in a visible location on the premises?
10. To whom do you think second-hand goods shops and pawnbrokers should regularly report information on the goods they buy or take in exchange for a loan to:
  - a. By-law
  - b. Police
  - c. Both
  - d. Neither
  - e. Unsure
11. If you think reporting should be a requirement, what type of information do you think should be reported?
12. Do you think reporting should be required only for certain types of goods?
13. If you answered yes to the last question, what types of goods do you think should have reporting requirements? (check all that apply)
14. If you have purchased second-hand goods, did you check them for any of the following: (check all that apply)
  - a. Pests (ex. bed bugs)
  - b. Product recalls
  - c. Expiry dates
  - d. Other

15. Do you identify as:
  - a. Male
  - b. Female
  - c. Another gender identity
16. How would you describe your neighbourhood?
  - a. Urban
  - b. Suburban
  - c. Rural
17. What are the first three digits of your postal code?
18. In which of the following age categories do you belong?
  - a. Under 18
  - b. 18 to 34
  - c. 35 to 44
  - d. 45 to 54
  - e. 55 to 64
  - f. 65 plus
19. What is the highest level of formal education that you have completed?
20. What language do you speak most often at home?
21. Which of the following categories best describes your household income? That is, the total income of all persons in your household combined, before taxes.
  - a. Under \$20,000
  - b. \$20,000 to just under \$40,000
  - c. \$40,000 to just under \$60,000
  - d. \$60,000 to just under \$80,000
  - e. \$80,000 to just under \$100,000
  - f. \$100,000 to just under \$150,000
  - g. \$150,000 and above