

# Canada's new criminal interest rate to take effect Jan 1, 2025

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On June 19, 2024, the federal government published the final [Criminal Interest Rate Regulations](#) indicating that Canada's new criminal interest rate will come into force on Jan. 1, 2025. We previously reported on Canada's criminal interest rate reform in our article, [Criminal interest rate: Canada sets high stakes for high rates](#).

Currently, the criminal interest rate under the Criminal Code is an effective annual rate of interest that exceeds 60 per cent. The government has lowered the rate, from the equivalent of approximately 48 per cent on an annual percentage basis, to an annual percentage rate (APR) that exceeds 35 per cent.

## Exemptions

### Commercial loans

The Criminal Interest Rate Regulations include exemptions from the criminal interest rate for commercial loans between \$10,000 and \$500,000 so long as these loans do not exceed an APR of 48 per cent. Commercial loans above \$500,000 will not be subject to the criminal interest rate (commercial loans below \$10,000 will be subject to the rate cap).

### Pawn loans

Pawn loans are also exempt from the application of the criminal interest rate if the loan is less than \$1,000 and then the APR does not exceed 48 per cent. Pawn loans over \$1,000 will be subject to the new criminal interest rate.

### Payday loans

The Criminal Interest Rate Regulations limit the cost of borrowing in provinces with payday lending regimes to \$14 per \$100 borrowed and limit the amount payday lenders can charge for dishonored payment instruments to \$20 or less.

## Additional amendments

As addressed in our article, [2024 Federal Budget: Money Talks](#), the 2024 federal budget announced additional amendments to the criminal rate of interest, including the proposed introduction of a new advertising offence under the Criminal Code for offering to enter in an agreement or arrangement to receive interest at the criminal rate of interest or advertising an offer to enter into such an agreement or arrangement whereby the lender would receive interest at the criminal rate. The coming into force date for these amendments has not yet been announced.

## Next steps

Absent reliance on any prescribed exemption, commercial and consumer lenders operating in Canada must update their documentation and credit underwriting process to comply with the new criminal interest rate when it takes effect in 2025.

For more information on Canada's Criminal Interest Rate Regulations, reach out to any of the key contacts listed below.

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