



Repair and Storage Liens Act, R.S.O. 1990, c. R.25 proposed amendments:

CLA and Automotive Financing in Canada

The [Canadian Lenders Association](#) (CLA) represents and advocates for over 300 companies across Canada that participate in SMB, consumer, home, equipment, automotive and mortgage financing. We host the [Automotive Financing Roundtable](#) which includes both bank and non-bank member companies.

The CLA plays a supportive role in advocating for better regulatory practices, transparency, and fairness in financial transactions and agreements. By leveraging our members' expertise in lending and financial regulations, the CLA can contribute to broader efforts to reform or improve legislation like the RSLA to prevent abuses and protect the interests of all parties involved.

Amendments Overview

This document outlines proposed amendments to the Repair and Storage Liens Act (RSLA), focusing on definitions, lien amounts, priority of non-possessory liens, and assignment of liens. Additionally, it proposes changes to the Ontario Regulation 427/15 concerning the determination of fair value for towing and storage.

While all members understand that repair companies need to be paid for the required work undertaken in priority to other lien holders and that in some cases this needs to be financed, there is a concern that certain costs are not required repairs but mere vanity improvements that do not increase the value of the assets. The theory behind the RSLA is that the work undertaken should be to maintain the value of the asset, and if the repair were not undertaken, then the asset would be of less value and that the repair should equate to the increased value obtained. For example, if a brake repair is undertaken for, say, \$1000, then had that repair not been undertaken, the car value would be reduced by at least that amount. On the other hand, if vanity lights are installed for, say, \$800, the car value remains the same.

On the finance side, all members understand that a finance source may be required to assist a less creditworthy consumer in paying for the required repair. The concern is that certain finance companies add finance charges to the initial repair costs that far exceed the value of the repair. It should be noted that the methods of obtaining finance and maintaining the lien are complex and convoluted.

The proposed changes set out below address these concerns but not the complex nature of obtaining finance. All amendments below are simply recommendations, and the CLA would be happy to work closely with its membership and the Department of Finance to achieve a fair resolution for all parties.

1. Definition of "Repair"

- Current Definition: The term "repair" encompasses expenditures of money or the application of labor, skill, or materials to an article for altering, improving, restoring its properties, or maintaining its condition. This includes transportation for repair, towing, and salvage.
- Exact language used in RSLA:

["repair" means an expenditure of money on, or the application of labour, skill or materials to, an article for the purpose of altering or restoring its properties or maintaining its condition and includes,

(a) the transportation of the article for purpose of making a repair,

(b) the towing of an article,

(c) the salvage of an article; ("réparation")]

- *Proposed Amendment: Refine the definition of "repair" to exclude "improvements" and limit it to necessary or reasonable repairs following a vehicle's breakdown or accident or to provide preventive maintenance to keep the vehicle running in a safe manner. The CLA recommends that the government provide a clear list of specifications for repairs that should be included under the RSLA. CLA members can offer a detailed list of repairs that should be covered and protected under the RSLA, such as tires and rims.*

2. Amount of Lien (Section 3 (2.1))

- Current Provision: The RSLA lien amount can include additional fees such as registration fees, insurance verification fees, admin fees, and interest charges.
- Exact language used in RSLA:

[Amount of lien

(2.1) In cases where Part VI of Consumer Protection Act, 2002 applies, the amount of a repairer's lien under subsection (2) shall not exceed,

(a) the amount that the repairer is authorized to charge for the repair under subsection 58 (2) and section 64 of the Consumer Protection Act, 2002, if those provisions apply to the repairer; and

(b) the maximum amount authorized by the person who requested the repair, if section 56 of the Consumer Protection Act, 2002 applies to the person. 2006, c. 19, Sched. G, s. 10 (1).]

- Proposed Amendments:
 - Limit the lien amount to the actual repair costs, excluding any additional fees. Align with the Consumer Protection Act, 2002, specifying that the repairer's lien should not exceed authorized charges for the repair and any maximum amount authorized by the person requesting the repair. (see case law *2373409 Ontario Corporation cob Capital Trust Financial v Go To Loans Inc*).
 - Set a cap on the assignment fee that can be added to the debt, consulting industry experts to determine a reasonable amount.

- Require RSLA lenders for loans over a certain amount to notify prior secured lenders to prevent surprises.

3. Determination of Fair Value (O. Reg. 427/15: Section 1 (1))

- Current Provision: Fair value determination includes considering the repairer's costs and profit among other factors.
- Exact language used in RSLA:

[Determination of fair value

1. (1) In determining the fair value of the repair under paragraph 2 of subsection 3 (1) of the Act or of the part of the repair under paragraph 3 of subsection 3 (1) of the Act, the following factors shall be considered and may be included:

1. The repairer's fixed costs, variable costs, direct costs and indirect costs.

2. The repairer's profit.

3. Any other relevant factors.]

- Proposed Amendment: Introduce a predetermined schedule of rates for towing and storage, varying by jurisdiction, to guide the determination of fair value. Establish a schedule of recovery charges and prohibit any recovery charges from related companies.

Grandfathering Provision:

To ensure fairness and allow RSLA funders adequate time to adjust their practices in accordance with the proposed amendments, the CLA's Automotive Roundtable recommends allowing for a grandfathering period of *one year* to be implemented. During this period, finance companies currently engaged in activities that may be affected by the amendments to the Repair and Storage Liens Act (RSLA) will be permitted to continue such activities under the existing regulations. This period aims to facilitate a smooth transition and minimize disruption to the industry while ensuring compliance with the updated legislation.

Any RSLA liens in place or registered before the effective date, should be enforceable under the historical terms. Changing the enforceability terms after liens have been filed would significantly impact these lenders, so maintaining the original terms for existing liens ensures consistency and fairness.



About the Canadian Lenders Association

The Canadian Lenders Association (CLA) supports the growth of bank and non-bank companies that are in the business of lending. We also support lending adjacent sectors including BaaS, Core Banking, Open Banking, DE&I and Sustainable Finance Frameworks. We currently represent and advocate for over 300 companies across Canada that participate in SMB, consumer, home, equipment, automotive and mortgage financing. *The CLA does not represent the Payday lending sector.*

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