

Loans and loan defaults involving registered parties, candidates, electoral district associations and third parties

Loans

Financial institutions may make a loan to a registered party, electoral district association, candidate, or registered third party with no restriction on the term or amount. There are restrictions to guarantor amounts and payments.

An individual, corporation, partnership or trade union, financial institution, registered party, electoral district association, candidate or registered third party may act as a guarantor as defined in the *Elections Act* in section 216(5). An individual may guarantee a loan to a maximum contribution of \$5,000 less any contributions by that individual in that calendar year per section 215(8).

A loan payment made by someone other than the borrower is deemed to be a contribution by the payer on the date the original loan was made.

Loan Default

If a loan is wholly or partly unpaid six months after becoming due, the outstanding balance is deemed to be a contribution attributed to the lender of the money, unless the lender is a financial institution.

If a loan is deemed to be a contribution because it is wholly or partially unpaid six months after becoming due, the borrower is not in breach of the *Elections Act*, unless the borrower had no intention of repaying the loan.

A guarantor paying all or part of a defaulted loan is not in breach of the Act by paying all or part of their commitment, except if the borrower had no intention of repaying the loan.

Loan Default Impact on Monies Paid to Registered Party

The Act provides that each fiscal year the Chief Electoral Officer shall pay to each registered party a fixed amount for each vote received by candidates endorsed by that registered party in the most recent general election.

When an outstanding balance of a loan has been deemed to be a contribution to a party, that contribution amount will be deducted from the amount Elections Nova Scotia would have paid to that party.

If a payment made by a guarantor exceeds their allowable contribution limit for the year in which the loan was granted, the amount in excess of the allowable limit will also be deducted from the amount Elections Nova Scotia would otherwise pay to the registered party.

Note: Since only individuals resident in Nova Scotia may make contributions to registered parties, any payments on defaulted loans made by a corporation, partnership or trade union, financial institution, registered party, electoral district association, or registered third party would be deemed to be in excess of the allowable limit and an equal amount would be deducted by the Chief Electoral Officer from the annual payment made to the registered party.

Is the situation different if the loans were to a candidate, electoral district association or registered third party that defaulted?

If a loan to a candidate, electoral district association or registered third party is in default, the Act provides that there will be no charges laid unless the borrower had no intent of repaying the loan. An individual who is a guarantor of a loan to a candidate is limited to maximum contribution in a calendar year. Guarantors other than individuals may be in breach of the *Elections Act* if a loan is defaulted. The rules about determining contribution levels for financial institutions and guarantors who make payments on the loans are the same. Since Elections Nova Scotia only makes annual payments to registered parties, the Act does not include provisions to withhold payments to any of these borrowers.

If you have any questions regarding the contents of this circular, please contact:

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The views expressed in this information sheet are not law and are not intended to replace the official text of the Act. How the Act applies to any particular case will depend on the individual circumstances of that case. Elections Nova Scotia reserves the right to reconsider any interpretations expressed in information sheets, either generally or in light of the actual circumstances of any case, and in accordance with continuing legislative and judicial developments.