

# Interest Charges

## Maintenance Enforcement Program

The *Maintenance Enforcement Act* and the *Maintenance Enforcement Regulation* authorize the MEP to charge interest to payors. The MEP charges interest to encourage client payment of maintenance obligations and cooperation with Program requirements.

### When does the MEP charge interest?

The MEP charges interest when:

- The court order or agreement requires it.
- The maintenance payment is not received in full by the date it is due according to the court order, agreement or payment arrangement.
- There are outstanding arrears on the file with no payment arrangement in place to pay the arrears.

### Interest benefits families

The MEP charges interest to compensate families when the maintenance they rely on is not paid, or is paid late. Eighty percent of the interest the MEP collects on a file goes to the recipient. The remaining twenty percent goes to the MEP as a service fee to help pay for additional resources that improve Program services.

### How can payors avoid interest charges?

Payors can avoid interest charges by:

- Paying in full by the due date according to the court order, agreement or payment arrangement.
- Making payment arrangements with the MEP if the full maintenance payment cannot be made by the due date or if there are outstanding arrears on the file.
- Ensuring that maintenance paid by a support deduction notice through an employer, is sent to the MEP and received by the due date. If this is not possible, keep your file in a one month credit balance by either making a one-time extra payment, or making a payment arrangement with the MEP to build a credit balance over time.

### How MEP calculates interest

If the court order or agreement states how interest should be charged, the MEP follows those directions. If the court order or agreement does not mention interest, the MEP charges **simple interest**<sup>1</sup> on the **total support amount that is owed** at the **interest rate** annually set by Alberta's *Judgment Interest Act* (JIA). The MEP applies the following formula:

$$\frac{\text{Total amount of support owed} \times \text{annual interest rate} \times \text{number of days the payment is late}}{365 \text{ days in a year (366 in a leap year)}}$$

For example, it is January 2023 and a payor owes the recipient support arrears of \$3,000. The payor made a payment arrangement with the MEP to pay \$300 per month on the first of the month. If the payor made the payment 10 days late, the payor would be charged interest of \$3.12, calculated as follows:

$$\frac{\$3,000 \text{ (total support owed)} \times 0.038 \text{ (JIA annual interest rate for 2023)} \times 10 \text{ (days late)}}{365 \text{ days}} = \$3.12$$

Interest is added to the Statement of Account once per month for interest that accumulated on arrears during the previous month. For example, interest charges from May 1 to 31 will appear on the statement in June.

- The MEP has other Information Sheets, on a variety of helpful topics. To see them, visit the MEP's website at [alberta.ca/mep](https://alberta.ca/mep)
- To contact the MEP, phone 780-422-5555 or toll-free in Alberta at 310-0000.
- To view information about your MEP file, go to the MEP's website at [alberta.ca/mep](https://alberta.ca/mep) and select "MEP Accounts Online"

<sup>1</sup> Simple Interest means interest is not charged on interest that has already been charged, or on any penalties or fees owed to the MEP.