

THE HAZARDS FACING LOW INCOME PEOPLE WHEN NAVIGATING THE FINANCIAL WORLD

ABLE Conference

Open Policy

November, 2015

Welcome to the financial mainstream?

**THE HAZARDS FACING LOW INCOME PEOPLE
WHEN NAVIGATING THE FINANCIAL WORLD**



TD FINANCIAL LITERACY
GRANT FUND



HOUSELINK
HOUSING AND HOMEOWNERSHIP



FONDS DE SUBVENTIONS
D'ÉDUCATION FINANCIÈRE TD



Prepared by:
John Stapleton for Houselink (with Max Wallace)
Edited by Sally McBeth, Clear Language and Design
September, 2014

Report has two purposes

- First: to document some of the lessons learned from conducting a financial literacy course on behalf of Houselink
- Second: to shine some light on issues we are often unaware of when we design financial literacy courses.
- These issues include debt, fraud, and coercive tied selling

Report divides into four parts

- 1.The outright barriers** that marginalized people face when attempting to access mainstream financial services, such as banks
- 2.The invisible, lurking dangers of going mainstream,** especially for people with debt histories
- 3.The useless, expensive frills** they will hear far too much about when they go shopping for financial products
- 4.The valuable financial products** and government benefits they will hear far too little about.

Banking, Taxes and Debt

- 335,000 people in Ontario are unbanked but Federal Government going to direct deposit only in 2016
- **More low income people are in debt!**
- What skills will we need as consumer advocates? And what policy and system changes should we be advocating for, in order to make banking truly accessible?

The murky rules of 'right of offset'

- Creditors and collection agencies can place a lien or encumbrance on a debtor's bank account. This is called the creditor's **right of offset**, and it means that the money in a person's bank account is no longer their own
- Why is it so easy for creditors to get information about debtors, but so hard for consumers to get information about their own debts?

The skills we need

- We need to have the skill to lead low income people in debt into a discussion about the risks and benefits.
- If they pay off the debt, will the benefits they receive ultimately outweigh the cost of the debt?
- How much money do they owe?
- How can they find out?
- Where can they go for credit counselling?

Useless Expensive Frills

- Supposed low interest payments
- Balance protection
- No-medical life insurance
- Accident insurance
- High fee pre-paid cards that do and don't expire

Some Conclusions

- Financial literacy is now at a point that anti-smoking advocacy was 50 years ago
- We need more protections in addition to financial literacy
- We need to talk about debt
- Knowledge can make you less poor.
- WE need better advice!