

## Recommendations for improved low cost bank accounts

**Create a made-in-Canada version of the Bank On National Account standards.** To reduce the number of Canadians who are unbanked or underbanked, and to promote access to low and no cost accounts for vulnerable consumers, the FCAC should work with consumer and financial sector stakeholders to create a made-in-Canada version of the highly successful U.S. Bank On National Account Standards,<sup>i</sup> which identify critical product features for bank or credit union accounts for low income and vulnerable consumers.

**Inspired by the 2012 Federal Deposit Insurance Corporation’s Model Safe Accounts Pilot,<sup>ii</sup> the Bank On National Account Standards include core and recommended account features.** Bank accounts that are certified to meet the Bank On standard are marketed with the Bank On logo and promoted by local Bank On chapters. According to the 2022 report<sup>iii</sup> of the Federal Reserve Bank of St. Louis’ Bank On National Data Hub:

- More than **17 million** Bank On certified accounts have been opened to date across 35 reporting institutions, a 24% increase from the previous reporting year
- Bank On accounts have been opened in **87%** of all U.S. ZIP codes
- Over **145 million** debit transactions were processed per month – an average of **27+** debit transactions per account holder per month (debit transactions help account holders avoid fees and service charges from credit cards and help them stay accountable with their spending)
- **\$120+ billion** was deposited into these accounts in 2022 – an average of **7** deposits per month, and **34%** of account holders used direct deposit.
- The average monthly balance per account increased from **\$1,072** in 2021 to **\$1,117** in 2022.
- **81%** of account holders were digitally active.

**Bank On data can provide a useful window into how consumers use these accounts in the U.S., including the types of transactions that are most common and their frequency.** Resulting benchmarks can be used as a starting point for designing a draft safe and affordable account standard for financial consumers in Canada, which could then be adapted in consultation with target users and bank account providers here.

**Canada’s National Account Standards should offer more free transactions (in-branch, digital and ATM) than current low-cost accounts, with the number of transactions determined in consultation with low-income consumers.** The goal would be to provide sufficient free transactions to enable most users to avoid triggering any additional fees. Because banks and credit unions have pulled branches and ATMs out of many low-income urban neighbourhoods, and people in rural and remote communities often have few choices about what ATM network to use, out of network ATM use should not trigger additional fees for these low-cost accounts. The standards should also prohibit NSF fees, activation, closure and dormancy fees, and outline additional functionality and customer service provisions.

**All retail banks and national credit unions in Canada should agree, or be required by regulation, if necessary, to offer at least one bank account that meets this standard** to ensure comprehensive national availability and consumer choice. Consumers must be able to open these accounts in person and online to mitigate mobility, distance, and digital barriers.

**Accounts should be made available to any consumer who wishes (subject to current account opening regulations).** The standard should establish a maximum monthly fee, of no more than \$5, and include a fee structure that allows for fees to be waived for designated groups – e.g., students, GIS recipients, GST HST Credit recipients.

**FCAC and participating banks/credit unions should launch the standard with a coordinated national marketing campaign,** with support from interested non-profit stakeholders, to promote certified accounts as the safe and affordable option for budget conscious consumers and to and benefits educate target beneficiaries on key account features. Bank accounts certified to meet this standard should be marketed with a distinctive branded logo promoted through the campaign to help target consumers to readily distinguish them from other account products on offer. These accounts should be actively publicly promoted by FCAC every year during Financial Literacy Month or another designated period. Consumer feedback on the national standard and actual safe and affordable accounts should be collected every 2 years and the account standard updated as needed to effectively address target consumer needs.

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<sup>i</sup> Cities for Financial Empowerment Fund. Bank On National Account Standards (2023-2024). n.d. Available from <https://joinbankon.org/wp-content/uploads/2022/08/Bank-On-National-Account-Standards-2023-2024.pdf>

<sup>ii</sup> Federal Deposit Insurance Corporation. FDIC Model Safe Accounts Pilot. 2012. Available from <https://www.fdic.gov/consumers/template/>

<sup>iii</sup> Gutkowski, V. and Locke, L. Bank On National Data Hub: Findings from 2022. Federal Reserve Bank of St. Louis; 2023. Available from <https://www.stlouisfed.org/community-development/bank-on-national-data-hub/bank-on-report-2022>