TOWARD A COMPREHENSIVE AND INCLUSIVE CONSUMER PROTECTION FRAMEWORK FOR CANADA

Submission to Finance Canada

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INTRODUCTION

This brief is the joint submission of the Canadian Literacy and Learning Network (CLLN), Momentum Calgary, SEED Winnipeg, Social and Enterprise Development Innovations (SEDI), and St. Christopher House in Toronto – five non-profit organizations working to strengthen the financial inclusion and well-being of low-income and vulnerable Canadians. In preparing our recommendations, we benefited from background research provided by Prof. Jennifer Robson of Carleton University among other sources. (For more information on our organizations and their missions, please see *Appendix A – Contributing organizations*)

We would like to thank the Government of Canada for this opportunity to contribute our ideas and perspectives as it undertakes the task of crafting a national financial consumer code, and for the government's additional commitment to conduct national public consultations on this critical initiative.

In light of our missions, we were also heartened to see the government's interest in the consumer protection issues experienced by vulnerable Canadians and its desire to learn more about these and ways they might be addressed. We noted specific references to seniors and newcomers in the government's consultation document, but would like to suggest that the understanding of 'vulnerable populations' be expanded to include all those who face significant barriers to accessing safe, affordable and appropriate financial services due to: poverty; age; disability; newcomer status; cultural and language barriers; low-literacy or numeracy; and/or membership in any other population which experiences significant social and economic exclusion such as, but not limited to, Aboriginal peoples, visible minorities, and people living with mental illness.

For the purposes of this submission, our recommendations are focused on measures that we believe are relevant to the majority of the 4.3 million Canadians living in poverty. Our organizations have drawn on our many years of experience working directly, and through collaborative partnerships, to address the needs of Canadians with low-incomes and low or no assets. The Canadians we serve have limited financial resources and are, therefore, at the greatest risk of harm when it comes to gaps in our financial consumer protection framework. Many also face language and literacy challenges that make it difficult to access, or benefit from; mainstream consumer information and protection resources and many are also members of the vulnerable groups noted above.

While the purpose of a financial consumer protection framework is, first and foremost, to prevent practices harmful to consumers, not to alleviate poverty, we believe it should also be designed to promote positive practices that advance the financial inclusion and wellbeing of all Canadians. All of our organizations share the view that assets – financial, material and human capital – are the surest route out of poverty and that full participation in the financial mainstream is critical to everyone's ability to build up these assets. This means ensuring vulnerable groups enjoy fair access to the opportunities that most Canadians expect when it comes to all the building blocks of financial security – learning, earning, saving, investing *and* protection of one's assets and rights as a consumer.

Even the best, most comprehensive consumer protection framework, however, will require complementary, supportive action by the public, private and voluntary sectors to achieve its desired effects. We have been encouraged by the growth across Canada of financial and community sector partnerships aimed at the financial inclusion of low-income people, but there are more that governments and the private and community sector can do together. We have, therefore included suggestions with respect to both the new financial consumer code itself, and parallel actions that we believe will help the new code achieve its goals.

The sections that follow respond to questions posed by the government in its consultation document with respect to:

- Establishing a comprehensive set of principles for consumer protection
- The unique challenges faced by vulnerable populations
- How the consumer code should address these challenges
- Continuing the conversation -- engagement.

1. ESTABLISHING A COMPREHENSIVE SET OF PRINCIPLES FOR CONSUMER PROTECTION

In keeping with our desire to see a renewed financial services regulatory framework that both protects consumers from harm and actively promotes consumers' interests, we agree with the government's suggestion that the new code should include a statement of principles. Principles provide a flexible framework for consumer protection, capable of adapting to changes in markets and consumer demographics, but ensuring the fundamental policy objectives remain constant. Well-crafted statements of principle can provide important guidelines for best practice, as well as proscriptive limits to prevent harm to consumers.

Building on the government's reference to the *G-20 High Level Principles on Consumer Financial Protection* in the consultation document, we believe that the 10 principles outlined in the document are a reasonable starting point for Canada's own renewed framework, and reflect the commitment Canada's financial institutions already have to providing quality services that are in the interests of consumers. In Section 3 below, however, we recommend some additional principles to better incorporate the needs of consumers living in poverty.

While we support the creation of a code grounded in certain key principles, a comprehensive and inclusive consumer protection framework must strike a balance between reliance on principles and the use of more specific rules. We note the guidance of the OECD which suggests that consumer protection rules are appropriate when there is a need to clearly specify actions to be taken or avoided and when tolerance for policy failure is low.[1] In Section 3, our recommendations, we outline some areas for more rule-based consumer protection and complementary action to support governance efforts.

In our submission, we have also highlighted a series of issues facing low-income consumers in Canada for which there is not yet sufficient evidence to indicate a clear policy direction or recommendation. In these cases, our aim is to raise awareness within the federal policy community and beyond, with the expectation that these issues will be addressed in future rounds of policy development. To this end, we encourage the federal government to adopt an active policy research agenda aimed at better understanding these issues and fostering cross-sectoral dialogue to determine how they can best be addressed. Only then can we ensure that Canada's new financial consumer code remains relevant and effective over time, as the marketplace and the needs of Canadians evolve.

2. THE UNIQUE CHALLENGES FACED BY VULNERABLE CONSUMERS

In this section, we outline the key challenges facing low-income Canadians in accessing, using and benefiting from the products and services that we believe are necessary for full financial inclusion in Canadian society today:

- Mainstream deposit accounts and transaction services
- Consumer credit products
- Savings products
- Financial guidance (information, education and advice).

We applaud the government's recent announcement in the 2014 Budget of its intention to continue working with financial institutions to enhance access to a wider range of basic banking services for vulnerable Canadians. This work is important because the mainstream financial marketplace is failing, in some cases, to supply the products/services that low-income consumers are seeking. In other cases, products and services are available, but difficult to access because of systemic, institutional, and/or personal barriers. There are also some cases in which financial market practices mean that low-income consumers who access products and services are inadvertently harmed by doing so.

We believe that mainstream financial institutions in Canada are responsible and work hard to strike an appropriate balance between their business aims and the interests of consumers. Many are also investing in innovative partnerships to remove barriers to financial inclusion. Our observations are, therefore, aimed at shining more light on the particular issues low-income people face so that all sectors can be more effective in their efforts to address them.

We elaborate on these issues below in the context of each of the main financial products/services that are essential to financial inclusion.[2]

2.1 Mainstream deposit products and transaction services

Canada has made important advances in ensuring broad access to deposit account products. Regulations enabling consumers to cash government-issued cheques at any financial institution,[3] regardless of whether they have an account, are also a positive development. Notwithstanding these positive developments, many of the low-income people that our organizations serve continue to face barriers to opening accounts. This is a critical issue in light of the federal government's decision to move to direct deposit of all government issued payments by April 2016. We also know that many low-income Canadians that do have accounts, experience difficulties using them. Some of the reasons for these continued challenges include:

❖ **Lack of required identification:** Identification requirements for account opening and cheque cashing are frequently more difficult for low-income Canadians to meet. Typically these involve having two forms of recognized identification. Many low-income people do not have these, and obtaining them typically involves a significant expenditure of time and money that they may not have. When a prospective customer has only one piece of recognized identification, regulations permit financial institutions to accept vouching for a consumer's identity "by an individual of good standing in the community where the bank is located."[4] In our experience, however, very few retail financial services staff is aware of, or feel empowered to make use of, this option. Research from community-based initiatives confirms that, when vulnerable consumers are able to have someone vouch for their identity, it substantially improves their access to basic deposit services.[5,6]

- **Absence of mainstream financial services locally:** In the context of an overall long-term decline in financial institution retail branches in Canada,[7] there is evidence that closures have disproportionately reduced the physical presence of mainstream financial services in rural communities, as well as low-income neighbourhoods in some cities.[8] In most remote communities, including First Nations communities, easy access to banking services has never been a reality.

  While some argue that physical presence is adequately replaced through electronic banking services (such as ATMs, on-line and telephone banking), this actually leaves many low-income consumers doubly disadvantaged. Without a pre-existing savings or chequing account (that can only be obtained *in person* at a bank branch), access to electronic banking is impossible. Low-income households are also less likely to have private, secure access to a computer with internet. Finally, our experience and emerging research[9] both suggest that low-income consumers strongly prefer to use financial services that are both convenient and responsive to their needs, even when this means paying much higher fees.

- **Greater responsiveness of alternative financial services to low-income needs:** In many communities and neighbourhoods without mainstream financial services, fringe financial service providers (e.g. payday lenders, cheque cashers) have entered to fill the gap. These provide a range of financial services such as cheque cashing, electronic fund transfers, and access to short-term, small dollar credit (discussed in the next section). There are now over a thousand such storefront businesses in Canada.[10] In addition, new virtual service providers are entering the market and aggressively promoting fringe banking through the mainstream media.[11] The Canadian Payday Loan Association claims to serve approximately 2 million Canadians annually. National surveys report that between 1 and 3%[12] of Canadian households have made use of at least one of these fringe financial service providers in the recent past. The most frequently reported service is cheque cashing, used by 1.9% of Canadian households, 68% of which are repeat users.[13]

  Findings from expert research and our direct experience with low-income clients tells us that, while these fringe providers charge exorbitant fees for even the most basic of financial services (compared to federally regulated entities), they provide a very positive customer service experience in other respects that are important to vulnerable consumers. These report that fringe financial services:

  - Are conveniently located in their communities
  - Make the financial transaction experience simple for users
  - Have identification standards that are easy to meet
  - Offer rapid access to credit
  - Treat marginalized consumers with respect.

While fringe financial services providers typically charge disproportionately high fees for their services, they have recognized and capitalized on the failure of mainstream Canadian financial institutions on the whole to adequately meet the needs of a significant consumer segment – low-income Canadians.

Some mainstream financial institutions, often initially working in partnership with a community-based organization, have found economically sustainable ways to deliver affordable services in low-income neighborhoods. The Pigeon Park Savings project in Vancouver is one such example. The result of a partnership between Vancity Credit Union and PHS Community Services, Pigeon Park Savings offers affordable bank accounts and low-fee cheque cashing to low-income residents in Vancouver's Downtown Eastside. This project has grown to provide accounts to over 4,000 members since its inception in 2004.[14]

- **Need for transparency and predictability regarding fees and penalties:** Low-income consumers may also opt out of lower-cost, mainstream, financial services because they want more transparency when it comes to fees and penalties associated with their financial transactions. In our interactions with low-income consumers, we frequently hear complaints regarding unexpected fees and transaction charges. These are problematic for low-income people because they have little or no margin in their monthly budgets to absorb unexpected costs. Even though financial institutions may properly disclose fees when accounts are opened, low-income consumers may require additional ongoing information on their account fees in order to keep track and notice when a penalty is levied against their account. It is interesting that a survey of payday loan and cheque casher customers showed that they believed fees on fringe financial services to be clearer than those associated with mainstream deposit accounts.[15]

- **Fear of liens:** Vulnerable consumers may also conduct transactions outside of mainstream financial services as a strategy to manage their finances when they are at risk due to registered liens. The registration and enforcement of liens is a matter of provincial and territorial jurisdiction under common law Personal Property Securities acts (PPSAs). Legal proceedings to enforce collection against a lien require notice through normal court proceedings. This notification process, however, may not be sufficient to alert a consumer to how and when a federally regulated financial institution may act to comply with a court order. Faced with uncertainty, some vulnerable consumers will instead conduct basic financial transactions (such as cashing cheques and transferring funds electronically) through fringe financial service providers. When this happens, the consumer pays much higher transaction fees, the relationship with creditors is not repaired and the connection to mainstream financial service providers is again weakened.

2.2 Safe and affordable consumer credit

Low-income Canadians face substantial difficulties in accessing and using affordable, mainstream sources of consumer credit. Analysis of consumer debt in Canada suggests that lower-income households are more likely to report having consumer debt, but have smaller debts than middle and upper-income households.[16] Compared to households with middle and higher incomes, lower-income Canadians are actually more likely to have a household budget and to say that they "always" spend within that budget.[17] This suggests that for low-income Canadians, problems making ends meet are more about severely limited resources than unchecked spending.

When they run short of cash, however, low-income Canadians have far more limited options for short-term credit than other Canadians. Many of the same barriers to accessing basic deposit services – identification requirements and the accessibility of retail locations – apply equally to accessing and using mainstream sources of credit for low-income Canadians. Without opportunities to access and use even small amounts of credit, low-income people are prevented from building a strong credit history and score which would enable them to access larger amounts of credit in the future. Results of the 2008 Canadian Survey of Financial Capability indicate that nearly a third (30%) of lower-income households do not have a credit card.[18] Some of the particular issues facing low-income people with respect to credit include:

- **Poor access to affordable, short-term, small dollar credit:** Many low-income Canadians have a strong aversion to taking on debt, particularly larger debts, even when this might lead to returns in income and well-being.[19] However, like all Canadians, low-income consumers occasionally need small amounts of short-term credit to cover costs that can't be managed through their regular income. Mainstream financial institutions, however, rarely provide short-term and flexible credit products that respond to the preferences of low-income Canadians. Even when a lower income consumer is able to qualify for a mainstream source of credit, the structures and costs of that product are often not what they are looking for. Some low-income clients find the fees for overdraft protection too high, while lines of credit and personal loans, even if lower cost, are typically for larger amounts than vulnerable consumers want and feel comfortable taking on as debt for short-term needs.

- **Poor practices and accountability of third party credit providers:** Low-income clients frequently experience problems with third-party agents who provide access to mainstream consumer credit. For example, car loans held by a federally-regulated financial institution are more often sold as financing options through car dealerships. While the federally regulated financial institution is bound by disclosure requirements on the terms of the loan, some third-party agents do not conduct the product sales process in a transparent way. When consumers find that they have entered into a very different, and often unaffordable, loan agreement, they feel they have little access to recourse or dispute resolution mechanisms that would normally apply to the conduct of financial institution representatives.

- **High cost of fringe credit providers:** Without access to mainstream forms of credit, low-income Canadians are more likely to turn to fringe credit providers. Self-reported use of fringe lending in Canada is very low (1.4% of all households), but most of these users appear to be repeat customers of payday lenders.[20] The cost of payday loans as a form of short-term credit has been well studied and estimates of the total cost of some loans can be as high as 400%.[21] Even where provincial legislation has introduced interest rate ceilings on payday loans, fringe financial service providers appear to be experimenting with new, short-term products for small amounts of credit that skirt the legislation and inflate costs to borrowers.[22]

2.3 Mainstream savings and asset building products

The Government of Canada has traditionally encouraged Canadians to save and build their financial assets. In recent years, this encouragement has become highly focused on registered savings programs, including RRSPs, RESPs, RDSPs and TFSAs. These instruments all combine a publicly-financed financial incentive (through income tax deductions and exemptions or, in two cases, positive cash grants) with eligible investment products sold by federally regulated financial institutions.

These programs enable policy-makers to target their assistance to certain groups and/or to certain savings purposes (e.g. education or retirement). They also reduce overall costs to government by leveraging private investment and letting private sector financial institutions manage and pay for marketing and distribution. Low-income Canadians also want and need equitable access to opportunities to save and build assets. However, issues in the design, administration and marketing/sales of these savings products mean that they have more difficulty accessing and benefiting from them and, in some cases, are negatively affected when they choose to use them. The issues they face in accessing and using existing savings mechanisms include:

- **Savings incentives are unevenly distributed** – A recent study of the key tax-preferred savings options for Canadians (including the various registered instruments and owner-occupied housing) found that the total distribution of these forms of wealth is heavily skewed toward higher income and higher wealth households, and that these instruments make up a larger share of the portfolios of richer Canadians. At the median, the poorest 20% of Canadians have none of their assets in these government forms, but the richest 20% have more than half (52%) of their assets in these same instruments.[23] In short, under the current system, Canada's tax expenditures aimed at encouraging saving disproportionately benefit wealthier households and offer very little proportional benefit to poorer households.

- **Barriers to opening registered savings products:** The estimated 10% of low-income Canadians[24] that do attempt to make use of mainstream, tax-preferred, registered savings programs encounter numerous challenges. Consider the example of a low-income single mother, 'Karen' (see attached case study in *Appendix B*),[25] whose experience opening an RESP for her two children was documented. This included multiple visits to government offices to obtain necessary identification. After arranging additional childcare at a cost of $40 for the day and relying on public transportation, Karen had to forego a full-day's earned income to accommodate the travel to several offices, waiting time and paperwork. She also had to pay $69 in application fees for birth certificates and social insurance numbers. After collecting all of the required documents, Karen then had a very mixed experience at the financial institution where she chose to open RESPs for her two children. The bank staff was unable to answer her question about the vulnerability of her savings to liens, leaving her anxious about the security of money she was depositing. The multiple stages of action, out-of-pocket costs, and the lack of protection for parental savings against liens all serve as major deterrents to low-income savers.

- **Complexity:** Our experience with other low-income parents who try to open RESPs with mainstream financial services providers suggests that the complexity of the various government savings incentives makes these programs difficult to explain. Parents and financial institution staff alike are often confused about exactly how much money federal or provincial governments will actually be contributing.[26]

- **Minimum monthly contribution requirements:** The products into which many financial institutions and RESP-providers fit their RESPs may demand minimum monthly contributions that exceed the savings capacity of low-income families. Even when alternatives with very low or no monthly deposit minimums are available and would be of interest to low-income clients, these are often not actively promoted. Group plan RESP providers now dominate the education savings market. Many of the group plans impose steep penalties for missing contributions or terminating plans. These penalties can effectively claw-back most, or even all, of low-income families' savings. Some group RESP providers have introduced more flexible plans that are better suited to the needs of low-income Canadians, but these options are not adequately promoted by sales representatives. We also note that the questionable practices of some group RESP representatives are attracting the attention of provincial securities regulators.

- **Low public awareness of RESP and RDSP savings grants and incentives:** Financial institutions lack adequate incentives to market RESPs and RDSPs and the associated grants and incentives, particularly to low-income Canadians. As noted earlier, financial institutions find these products cumbersome and expensive to administer and frontline staff find them difficult to understand and time consuming to deliver. As a consequence, they are not actively promoted to consumers they could benefit.

- **Inappropriate marketing and sales of RRSPs:** Our experience with low-income, working age adults suggests that many are strongly encouraged by financial institutions to open RRSPs during annual sales drives. For an older, working poor adult, an RRSP can generate a short-term boost through a larger tax-refund but, over the longer term, the marginal effective tax rates in retirement can make the same RRSP a terrible investment.[27] The newer TFSA offers a slight improvement by addressing the clawback of income-tested benefits in retirement.

- **Difficulty selecting the right registered savings product:** For middle and higher income Canadians, the choice between these two instruments is not "either/or" but "both." However, for lower income Canadians, choosing between these government-supported savings mechanisms is a complicated decision and one that is not well supported by suitable information tools from either government or private sector providers. There are now several different registered savings instruments, each with its own intended population and uses, with distinct rules regarding transferability, withdrawal and protection against risks from liens or asset-tests. For low-income Canadians with small savings, making the right choice is more important and more difficult than for other Canadians.

2.4 Accurate, neutral, and relevant financial guidance

As the previous section suggests, low-income Canadians are often not adequately supported by mainstream financial institutions, products and services. This is particularly true when it comes to having access to accurate, neutral and relevant financial guidance – whether in relation to specific products and services or, more generally, with respect to financial planning and choices. Issues that low-income Canadians experience with respect to financial guidance include:

- **Lack of access to affordable, relevant advice:** According to the Canadian Survey of Financial Capability, 76% of Canadians in the lower income group indicated they had not received any financial advice in the last year, compared to approximately 55% of Canadians overall. [28] Low-income Canadians cannot afford fee-for-service sources of personalized advice and other sources of advice can give them generic information that is wrong or even harmful for someone living with a low income.

- **Financial institutions lack the contextual knowledge needed to provide them with relevant and accurate advice:** As personal financial choices and decisions are often complicated, consumers benefit from guidance before a decision, as well as guidance during the decision-making process (through know your client and disclosure processes). Compared to other consumers, however, the life context of low-income Canadians introduces a number of complicating factors into their financial lives that financial institutions are often unaware of and consequently ill-equipped to properly factor into the financial advice and products/services they provide. This leaves low-income consumers poorly supported when they are trying to make complex financial decisions and, at times, places them at risk of receiving poor or harmful advice. Some of these complicating factors include:

  - Complex **interactions with one or more public benefits** such as social assistance, seniors' benefits, childcare and housing subsidies, as well as provincial drug benefits.

  - **Non-standard life events** that do not fit into the life-stages outlined in most private sector consumer information.[29]

  - **Literacy and numeracy challenges** that limit the usefulness of documents and information resources, even when written in plain language formats. This is particularly a concern in the product disclosure process and limits the ability of vulnerable consumers to make informed choices about financial products.

  - **Restricted ability to pay for advice** and limited portfolios that constrain eligibility for personalized guidance services offered by private sector sources.

As a consequence of these barriers, low-income Canadians seeking financial guidance increasingly turn to community organizations, like our own or those we partner with, that offer basic financial literacy education, credit counselling, savings and asset building programs, financial advocacy and problem solving, financial coaching and other supports.

Together, our organizations have been engaged in funding, facilitating or directly providing financial guidance to thousands of Canadians. Our programs are regularly oversubscribed, often result in tangible improvements in people's financial outcomes, and our clients tell us that the information, learning and guidance they receive reduces their financial stress and improves their wellbeing. However, there are few long-term, stable sources of revenue for our work, even though there is strong evidence to suggest that integrating financial education and counselling into other social programs can significantly improve their outcomes.[30]

Limited resources also make it challenging to maintain accurate and up-to-date information relevant to our low-income clients. This includes information on government programs and benefits, consumer protection, emerging consumer trends and best practices in the field of financial guidance for vulnerable consumers. We look forward to working with the new Financial Literacy Leader and the Financial Consumer Agency of Canada (FCAC) to help coordinate and improve the flow of relevant information to the community sector to enable low-income Canadians and organizations that support them to be more effective.

3. HOW THE CONSUMER CODE CAN ADDRESS THESE CHALLENGES

In the previous section, we described a series of issues facing low-income financial consumers in Canada. We do not yet know what the right policy solution is for many of these, but believe we can find solutions over the longer-term. In the near term, however, we have identified the following changes that we believe would make a meaningful difference to low-income Canadians.

Recommendation 1: The Government of Canada's new financial consumer code should include a statement of principles which builds on the G-20 High level Principles for Financial Consumer Protection and addresses the following:

- **Consumers' best interests**: A consumer protection framework should promote competition through fair market conduct but, where the interests of private sector firms and individual consumers diverge, the best interests of the individual consumer must be given priority. This principle creates a new expectation that financial sector firms will not only act fairly and reasonably disclose information to individual consumers to enable individual choice, but that they will also, in the conduct of their business, not act in ways that are counter to the individual best interests of their consumers.

  There are already several examples of Canadian financial institutions taking action that is consistent with this principle. For example, for upper-middle income clients, personal banking associates might take action to reallocate funds between accounts to protect a client's interests in a transaction. Financial institutions promote these kinds of practices because they recognize that a positive relationship with a client is better for their long-term interests. The same kinds of practices are possible for lower-income clients, but often overlooked by representatives of financial institutions.

- **Respectful interaction with consumers:** The third G-20 principle is "equitable and fair treatment of all consumers." The supporting wording goes on to make special note of the needs of vulnerable consumers. We believe that, in addition to fair and equitable treatment, all consumers have the right to expect respectful treatment that reinforces their dignity and agency. In our experience, the manner in which a client interaction takes place can either injure or promote a vulnerable consumer's sense of dignity and agency in their relationship with financial service providers. Interactions that promote dignity and agency, even when services or products are declined, will reinforce participation in mainstream financial services. Conversely, interactions that do not respect the dignity and agency of vulnerable consumers risk entrenching their financial exclusion.

❖ **Financial inclusion:** This would expand on the same principle of "equitable and fair treatment" by specifying the types of financial products and services considered to be part of a reasonable set of basic financial services. We believe that Canada's existing consumer protection mechanisms have done a great deal to promote access to basic deposit account services in Canada. According to best estimates, only 0.5% of all adult Canadians do not have a deposit account with a mainstream financial institution – a figure that is very low by international standards.[31] However, this figure is nearly four times higher for low-income Canadians (1.9%), suggesting that there is still work to be done.[32]

Owning a deposit account is very important but not, in our view, a sufficient measure of financial inclusion. Full financial inclusion in Canadian society today requires access to a larger basket of basic financial products and services that all of us require to effectively manage our financial affairs and to participate fully in the marketplace today and in community life more broadly. In addition to a basic banking (deposit) account, this basket includes:

- Affordable and secure financial transactions
- Affordable credit
- Secure vehicles to save and build assets
- Financial guidance to assist people in setting financial goals, making plans to achieve them, and solving financial problems.

Among vulnerable consumers, access to this full range of products and services is significantly more limited. For example, low-income Canadians are significantly less likely to have access to accurate, relevant and neutral financial advice or to mainstream sources of affordable short-term consumer credit.[33] Private sector financial institutions are not, and should not be, solely responsible for ensuring the financial inclusion of low-income and other vulnerable Canadians. Figure 1 (below) outlines our understanding of the shared responsibilities of all sectors for financial inclusion.

Figure 1 Shared responsibility for full financial inclusion

Products/services	Private	Public		Community
Deposit accounts	Yes	Regulatory responsibility	--	--
Financial transactions	Yes		Limited – e.g. Canada Post	--
Consumer credit	Yes		--	Credit and debt counselling
Savings, investment and building assets	Yes		Saving instruments and related incentives (e.g. Canada Savings Bonds and registered plans)	Savings and asset-building programs
Financial guidance (information, education, advice)	Yes		Basic information and decision tools	Financial information education, and counselling for vulnerable consumers

In this context, financial institutions are uniquely able to deliver deposit accounts, regulated consumer credit products, transaction services such as money transfers and bill payments (either directly or in partnership with other payments providers), as well as savings and investment vehicles for both medium and long-term consumer needs.

The federal government is responsible for sound market regulation and plays a direct role in shaping the design and delivery, as well as incentives related to, many of the most important savings products for Canadian households, including registered savings products such as RRSPs, RESPs and RDSPs. It also delivers programs that directly affect the financial resources of Canadians, such as tax credits to incentivize certain behaviours or to boost income in support of specific policy objectives. The Canada Revenue Agency, for example, is responsible for the administration of several federal and provincial transfers directly into the bank accounts of eligible Canadians. The federal government, or its agencies, also offers some financial products and services directly, such as pre-paid credit cards and electronic funds transfers available through Canada Post.[34]

Federal and provincial government departments and agencies also play important roles in providing basic information to consumers about their financial consumer rights, as well as broader financial information and education. For example, the FCAC provides basic education programs such as *The City* and *Financial Basics*. Similarly, the Ontario Securities Commission's Investor Education Fund delivers consumer education through its interactive "Get Smarter About Money" website. FCAC also provides calculators and tools to help consumers select the best products for them.

Finally, non-profit organizations across Canada are playing a growing role in the delivery of quality, neutral, financial information and education tailored to the life contexts and needs of vulnerable consumers. A growing number deliver other complementary services aimed at helping people to access income benefits they are eligible for, offering savings and asset building programs, helping to connect people to safe and affordable financial products and services, and assisting them with one-on-one financial problem solving. Relative to the private sector and government, these agencies are best placed to understand the specific needs of vulnerable Canadians and the particular barriers they face with respect to financial inclusion. However, all sectors have a role to play in helping to address these needs and barriers.

We believe that monitoring and enforcement of the first two principles we have articulated is best handled through existing consumer complaints mechanisms and requirements for proactive disclosure on the part of federally regulated financial entities, as part of their annual Public Accountability Statements. We believe that the third principle requires monitoring by the federal government through national indicators and benchmarks. We also believe that the government has a critical role to play in collecting and disseminating information on emerging trends and best practices to realize this principle.

Recommendation 2: As it develops a new financial consumer code, the Government of Canada should invite interested provinces and territories to discuss opportunities to align federal and provincial/territorial financial consumer protection approaches for greater complementarity and impact.

Provincial and territorial governments have important roles in financial consumer protection, particularly through measures to regulate the conduct of payday lenders, cheque cashers and many third party agents of federally regulated entities (such as car dealers) with whom vulnerable consumers conduct their financial affairs. We believe that collaboration between federal and provincial/territorial governments will be critical to the success of any governance principles for the financial service sector and can help ensure they are truly meaningful to vulnerable consumers in Canada.

In this respect, the federal government has already taken action to amend the *Criminal Code*, creating new avenues for provinces to adopt their own standards for interest limits governing fringe lending. The federal 2014 Budget also indicated that the government remains positively "committed to working with the provinces to maintain the integrity of the framework and to support provincial efforts to regulate" payday lenders.[35] We believe that a robust set of principles could further strengthen regulation of this sector which has a particularly significant impact on low-income consumers. Provinces and territories should, of course, remain responsible for regulatory policy, investigation and enforcement; however, shared principles, paired with shared information on consumer trends and best practices, could significantly enhance protection for vulnerable consumers in the financial marketplace. To this end, we would also invite the federal Minister of Industry, in collaboration with the Minister of Finance, to consider engaging with provincial consumer affairs ministers through a revived Consumer Measures Committee.

Recommendation 3: The Government of Canada should build on the model of simplified regular product disclosure requirements for credit cards and require similar standardized 'information boxes' to appear on regular statements and sales/marketing materials for deposit and chequing accounts, and personal savings and credit products. These should include brief, clear, standardized information on fees, penalties, interest rates and risks associated with the product.

Current regulations only require banks to disclose interest on deposit accounts and "any circumstance that affects the rate of interest," at the time the account is opened, as well as advance notice of changes to the fees on these accounts.[36] Similar standardized information is required for personal loans. We believe there is value to standardized and plain language disclosure of these and similar pieces of vital information on basic financial products that meet consumers' needs for deposit services, transactions, savings and consumer credit.

This information needs to be offered at more than one time to consumers. While advance delivery of this vital information and/or its presentation at the time of the product purchase is important, we believe that the information should also be readily available on an ongoing basis so that when consumers look at their chosen products – whenever that might be – the information is readily available and can more easily be compared between products and between providers.

In the case of the credit card disclosure 'information box', we also believe that the visual collection of the information serves as a behavioural 'nudge' to encourage consumers to pay greater attention to the information it contains. When product or account statements are issued by the provider, or proactively requested by the consumer, we believe this standardized information box should be required to appear at the front of the document. We think this is a small but meaningful change that should be expanded to a larger number of financial products.

For an example of what this might look like, and the kind of information that should be included, we encourage the government to consider the Mission Asset Fund's "Financial Facts Label" (see *Appendix C*

Financial Facts Label). Inspired by the standardized nutritional content labels found on all packaged foods in North America, the "Financial Facts Label" provides consumers with equally simple and easy to compare information that they can use to evaluate the affordability and suitability of a financial product, for their needs.[37] We believe that the information needs of consumers must be met in plain language, as well as other formats, that are truly accessible to Canadians, including those with lower literacy and numeracy.

Recommendation 4: The Government of Canada should require financial institutions to disclose to consumers, on their websites and in their branches:

- **The identification required to open a basic deposit account,**
- **All forms of identification that are acceptable**
- **The availability of vouching as an alternative for consumers who have only one form of identification**
- **The steps involved in the vouching process.**

Retail staff of financial institutions should also be required to proactively inform clients of the vouching option if they lack sufficient identification to open an account.

We believe financial institutions should retain the right to make an ultimate judgment about whether a customer meets statutory identification requirements, but that offering vouching as a means of overcoming identification barriers to vulnerable Canadians becoming banked should be automatic, rather than a discretionary decision. This right must be communicated to all consumers who might otherwise not have the identification to open an account. This is important because many low-income Canadians without a permanent home address, such as residents of shelters and transitional housing, find it extremely difficult to meet identification requirements. Vouching is the only route they have to access mainstream financial services. As long as vouching is treated as an exception that is only offered at the discretion of individual frontline staff, however, it will remain an unreliable solution with limited impact.

Recommendation 5: The government should: 1) enact regulation to reinforce the Office of the Superintendent of Financial Institutions' current guidance regarding third party agents of federally regulated entities; 2) actively promote consumer awareness of these rules; and 3) ensure that consumer complaint/dispute resolution mechanisms of federally regulated financial institutions adequately encompass actions by third party agents. Responsibility for monitoring compliance should reside with the FCAC Commissioner.

The Office of the Superintendent of Financial Institutions' (OSFI) guidance on "Outsourcing of Business Activities, Functions and Processes"[38] makes clear that federally regulated entities "retain ultimate responsibility for all outsourced activities." Examples of outsourced activities discussed in the guideline include: document and application processing, loans negotiation, and loans administration. The same guideline encourages financial institutions to engage in due diligence practices in their relations with third party service providers and notes that OSFI will apply a risk-based analysis to these outsourcing arrangements.

We believe it would be useful if the proposed financial consumer code also made explicit reference to the market conduct of these third party agents. Consumers of financial products/services provided by federally regulated financial institutions should all enjoy equitable access to complaint and dispute resolution mechanisms, regardless of whether transactions are outsourced or handled directly. The principle that financial institutions must monitor and account for the actions of their third party agents is already established. By providing clarity on the application of this principle with respect to consumer protection and dispute resolution, the new consumer code can help ensure this is achieved.

Recommendation 6: The Government of Canada should strengthen the public value of the Public Accountability Statements it receives from federally regulated financial institutions by publishing annual tables of comparable quantitative and qualitative indicators.

Currently the government requires that all federally regulated financial institutions prepare, submit to the FCAC and make publicly available (normally online) an annual Public Accountability Statement (PAS). The topics addressed in these Statements are specified in relevant regulations[39] and are, in our view, an important tool for reporting on community engagement and services for vulnerable consumers. We also note with interest that most major banks have begun including activities on financial literacy or financial education, as was recommended by the Task Force on Financial Literacy, but is not currently required under legislation.

We believe that key indicators from Public Accountability Statements should be easy for consumers to read and compare. We would emphasize the following indicators:

- Measures to promote access to banking services for vulnerable consumers (as required in section 3.1(f) of the regulations);
- Measures of changes to retail presence (as required in section 3.1(g) of the regulations); and
- Investments in financial literacy and financial education programs (not currently required by regulation but recommended for inclusion in future PAS guidelines).

We believe that this comparative tool will better equip regulators, consumers and advocates to monitor and respond to the activities of federally regulated institutions in relation to vulnerable consumers and for financial institutions themselves to benefit from more accessible information on emerging and innovative practices in their sector with respect to financial inclusion.

Recommendation 8: In addition to renewing federal financial consumer protection measures, the Government of Canada should undertake a review of registered savings instruments (RRSP, RESP, RDSP, and TFSA) that it supports through tax benefits and direct transfers to individuals, with a view to:

- **Reducing their complexity for consumers and participating financial institutions**
- **Streamlining administration of related grants and incentives**
- **Addressing systemic and institutional barriers to take-up by low-income Canadians**
- **Ensuring public investments in savings incentives benefit all Canadians equitably.**

Some of these registered savings products have undergone partial or initial reviews already. Submissions to one early review of the Registered Disability Savings Plan noted that complexity in the design was a substantial barrier to accessibility for many in the target population. Other evaluations of the Canada Education Savings Grant and Canada Learning Bond have repeatedly concluded that poor understanding of the tiered savings grant is, with onerous application requirements, likely suppressing take-up of the Grant and Bond through Registered Education Savings Plans. We believe that, to fulfill the principle of financial inclusion, the government must exercise leadership outside of the regulatory framework and take direct action to improve those financial products over which it has the most direct control.

We applaud the government's past efforts to promote access through outreach and public awareness activities; however, the effectiveness of such activities will be hampered as long as underlying deficiencies in the design and administration of specific registered savings products are not addressed.

Recommendation 9: The Government of Canada should establish an evidence-based, outcomes framework for evaluating the effectiveness of the new financial consumer code and a timetable for regular public review (e.g. in 3 years and every 5 years thereafter) to ensure the code is periodically updated to meet the needs of Canadian consumers in our rapidly evolving financial marketplace.

As our submission has highlighted, there are many complex barriers standing in the way of full financial inclusion for low-income Canadians. At the same time, as the example of Pigeon Park makes clear, these barriers can be overcome when stakeholders from the public, private and community sector work together to find solutions.

Currently, however, there is little systematic research underway to understand the consumer protection and financial inclusion needs of vulnerable consumers, or to inform the development of innovative policies, regulation, products and services to address these needs. Research undertaken by financial institutions is undertaken for business purposes and, therefore, proprietary in nature. Measures to require private sector financial institutions to directly conduct research involving vulnerable consumers would also raise ethical questions. Organizations like ours conduct some research but typically lack resources to pursue the knowledge we and other stakeholders need. Federal investment in the national financial capability survey is necessary and extremely welcome, but this research sheds light on needs alone – not solutions – and is focused primarily on individual knowledge, attitudes and behaviours, so does not investigate institutional and systemic barriers.

An evidence-based, outcomes framework for evaluating the success of the new code will entail establishing measurable goals and performance indicators and conducting ongoing research to determine where the code is working and where further work is needed.

As the government's consultation document also notes, the financial services marketplace is continuously evolving and it is impossible to fully anticipate today the changes that lie around the bend tomorrow – changes that will likely require periodic revisions to the Consumer Code the government is proposing to establish. For this reason, it is important that the government commit to its periodic review.

Recommendation 10: The Government of Canada should establish a standing Financial Consumer Advisory Group, with representation from all sectors, to foster engagement of relevant stakeholders in the ongoing process of monitoring, evaluating and improving the proposed new financial consumer code. Community sector representation on the Advisory Group should include organizations with the mandate and expertise to speak to the concerns of Canadians living in poverty and other vulnerable consumers.

We believe that, in addition to more traditional methods for monitoring and assessment, the new framework should be accompanied by ongoing public engagement to enlist the cooperation and support of key stakeholders to provide insights that can help the government to achieve its consumer protection and financial inclusion goals.

By engaging all of the key stakeholder groups with an interest in this process, the government can begin to build the cross-sectoral collaboration necessary to generate new knowledge about the challenges facing vulnerable consumers (and the financial institutions seeking to serve them better), and the consensus and alignment needed to begin developing innovative solutions.

The government has several standing advisory bodies that provide expert opinion on matters of public policy for Canada. We believe that, in any advisory body on financial consumer protection, it will be critical to include the expertise of organizations that can speak to the concerns of vulnerable Canadian consumers.

CONCLUSION

In closing, we support the government's goal of creating a more responsive and effective framework for financial consumer protection and believe the decision to create a new, integrated financial consumer code is the right one.

We welcome the government's particular interest in issues affecting vulnerable consumers and thank the Department of Finance again for the opportunity to contribute our ideas and perspectives on how we can better protect and include low-income Canadians in the financial mainstream.

We welcome any opportunity to discuss the contents of this submission and hope that it will support the work of the Government moving forward. However, we also believe that success in this endeavour depends on the active engagement of stakeholders in all sectors who share the government's interest in creating a fairer and more inclusive financial marketplace and have important roles to play in this process.

We encourage the government to continue to invite interested private and community sector stakeholders to the table and to foster collaboration, as it has done through this consultation process.

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APPENDIX A
CONTRIBUTING ORGANIZATIONS

Canadian Literacy and Learning Network (CLLN)
Canadian Literacy and Learning Network (CLLN) is the national hub for research, information and knowledge exchange, increasing literacies and essential skills across Canada. A non-profit charitable organization, CLLN provides national leadership on literacy and connects with literacy coalitions, organizations and individuals in every province and territory in Canada. Our mission is to share knowledge and expertise, engage partners and stakeholders, and build awareness to advance literacy and learning across Canada.

Momentum
Momentum is a Community Economic Development organization. Our mission is to partner with people living on low incomes in order to increase prosperity, and inspire the development of local economies with opportunities for all. Our vision is that every person in Calgary can have a sustainable livelihood and contribute to their community.

SEED Winnipeg
SEED Winnipeg is a registered non-profit organization with a mission to reduce poverty and assist in the renewal of primarily inner city communities by providing capacity building services that assist low-income individuals, groups, organizations and economically distressed neighborhoods to improve their social and economic vitality.

Social and Enterprise Development Innovations (SEDI)
Social and Enterprise Development Innovations (SEDI) is a registered national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. Working in collaboration with a wide spectrum of government, business and community-based organizations, we develop and advance financial empowerment policies, programs and services that transform lives. We achieve scale and impact by helping service systems in all sectors to build proven approaches into their businesses in ways that are sustainable, help them achieve their goals, and measurably increase the financial well-being of the low-income people they serve. SEDI is home to the Canadian Centre for Financial Literacy and the TD Financial Literacy Grant Fund.

APPENDIX B
KAREN: A CASE STUDY IN BARRIERS TO ACCESSING AN RESP

Karen

- Is a single parent with two children
- She is 38 years old and is single with a basic minimum wage income of $20,000
- Has heard about Registered Education Savings Plans (RESPs), the Canada Learning Bond (CLB) and Canada Education Savings Grants
- Wants to enrol her daughters in various government endorsed and funded savings plans for the education of her daughters Carmen (age 9), Victoria (age 4).
- She understands she must obtain a SIN number for her child at a Service Canada centre (in person[1]) and go to a financial institution (in person) to enrol in an RESP.

Karen has heard from various sources that she should buy an RESP. She has no additional funds (She nets about $34,000 a year. She has heard that the government will make matching grants to money she is able to deposit into the plan. She knows that she can get help with her RESP registration fee and that the government will deposit $500 in the Canada Learning Bond into her account once she gets one.

Karen makes the choice to obtain an RESP

Karen's odyssey

8:00 a.m.

Karen has arranged for paid day care for Victoria through a relative. They agree on $30 for a half day which Karen believes is a very good deal. There is no daycare subsidy to obtain an RESP or the paperwork.

Barrier one:

- There is no paid child care to apply for a SIN for a child at Service Canada and the subsequent trip to the bank.

Barrier two:

- Karen must take a day off work as Service Canada Offices are not open on weekends[2] (unlike banks)

8:15 a.m.

Karen waits for the bus. She has a TTC pass she incurs no additional costs. It takes Karen one hour to arrive at the Service Canada Office.

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[1] http://www.servicecanada.gc.ca/eng/sin/apply/how.shtml
[2] http://www.servicecanada.gc.ca/cgi-bin/sc-dsp.cgi?rc=3246&ln=eng

Barrier three:

- transit wait time

9:15 a.m.

Karen enters the Service Canada Centre and takes a number and waits one half hour until her number comes up.

9:45 a.m.

Karen gets her papers in order. She has access to the internet through her workplace and stayed late one night in order to fully understand what she would need in terms of paperwork.

- Birth Certificates of her children ($25 each[3])
- A supporting document[4] (Divorce decree: $19[5])

Barrier four:

- Document Costs: $69.
- After school child care to stay late to apply for documents: $30

10:30 a.m.

The paperwork is in order. The temporary SIN number is issued. No charge.

[3] http://www.ontario.ca/government/how-much-does-birth-certificate-cost

[4] **Certificate of marriage, record of solemnization of marriage** or **marriage statement** (or a similarly titled document, depending on the issuing authority) to support your family name after marriage. (Note: This does not apply to Quebec residents, regardless of where they were married after April 1, 1981).

Divorce Decree, certificate of Divorce or Decree Absolute issued in accordance with the Supreme Court of Canada for the dissolution of a marriage to support the family name requested on the SIN card when it does not appear on the primary document.

Legal change-of-name certificate or **court order document** issued in accordance with provincial name change legislation.

Adoption order certified by a Canadian Court (applies to adoptions in Canada only).

Notarial certificate, also called **notarial adoption certificate**, issued by the country of origin of a child adopted abroad and used by the adoptive parents to have theSIN card issued in the adopted child's Canadian name.

Request to Amend Record of Landing issued by Citizenship and Immigration Canada and used to amend a Record of Landing or a **Confirmation of Permanent Residence document**.

[5] http://www.attorneygeneral.jus.gov.on.ca/english/family/divorce/documentation/

10:45 a.m.

Karen walks to a local bank but she is late for her 10:30 appointment and the officer asks her to wait. Karen could not blame her.

Karen had heard of other instances where the bank officer who did RESPs was off sick

Barrier five:

- Uncertainty and difficulty in scheduling accurately. Uncertainty can cost another day of transit and another day of childcare.

11:30 a.m.

Karen opens the RESPs for Carmen and Victoria and gets started with the paper work. This all works well until the officer asks how much she would like to put in the account. Karen says she would like to start with $10 for each account. She has no other savings and can't get the matching CESGs. At least she will get the learning bond.

Barrier six:

- Savings incapacity. Karen nets $34,000 a year to feed, clothe and house three people. This includes her child benefits and modest child support. Although she qualifies for the enhanced CESG, she cannot afford the matching funds to trigger the government contributions.

11:45 a.m.

Karen worries openly to the bank officer that this account would be the first bank account of any type that she has opened in some time. Karen noted that she had defaulted on a loan as well as a Visa and MasterCard over ten years previously just after the separation from her husband.

Karen asks if her account could be seized or money taken out of her account. The Bank officer did not know.

Barrier seven

- Uncertainty (again)
- Answer: The Government of Canada assures by law that its money cannot be seized through a garnishee or lien on the account. But no such protection exists for the mother's portion. And there are bank fees that apply if a lien takes money from the account.

Barrier eight:

- No consumer protection.

11:50 a.m.

Karen asks the bank officer how can she find out if her account will be seized or if a lien will go on her account.

Answer: Karen would have to deposit her money and find out or pay a lawyer significant fees to find out – at least in the hundreds of dollars.

Barrier eight: Potential high costs to search for garnishees, encumbrances, liens and attachments

The bank cannot tell a customer in advance whether there will be a lien placed on Karen's account. If Karen hires a lawyer, the costs would be in the $400 range to do a search.

12:00 p.m.

Karen finishes up with the bank. She is surprised to understand that will be no fees to open her account.

1:00 p.m.

Karen arrives home. She negotiates an extra $10 fee for Victoria's childcare.

Barrier nine:

- Additional child care costs.

4:00 p.m.

Karen discusses her morning with a group of her friends. She describes her day – the uncertainties – the additional costs and the fact that she does not know and can't find out if her account is safe. Some of her friends were thinking about RESPs.

Karen truthfully says she is very happy that her daughters have accounts now and that they will have some money for their higher education.

One friend asks her whether she would go through the process again; that is, whether she thought it was worth it. Karen replies that she may not know for some time.

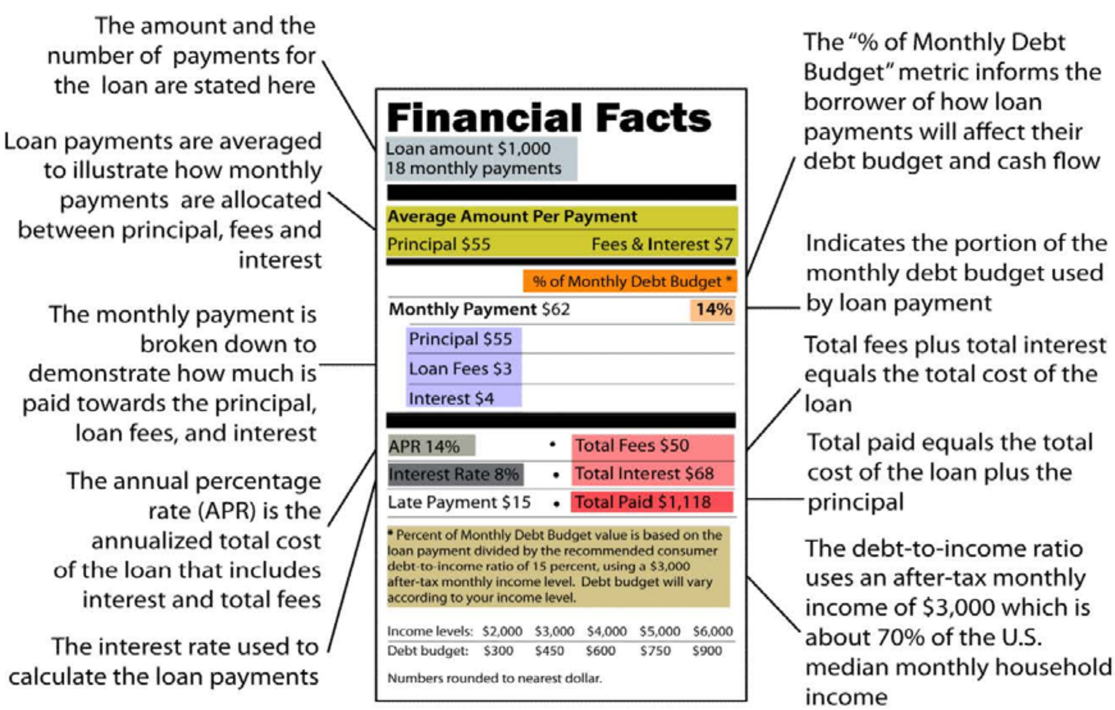
Summary of Advantages, Barriers and Cost associated with enrolling in an RESP			
Item	**Advantages**	**Barriers**	**Costs or Savings**
Child Care		No subsidized childcare to obtain RESP	$40 cost
Day off work		Service Canada centres not open on weekends	$82 in foregone pay
Transit wait time		Adds to child care cost	See above
Document Costs		Birth certificates and divorce decree	$69 in government fees. $30 in child care to apply for documents on-line.
SIN	Timely		Free of charge
Service Canada Centres		Not a child-friendly environment	Potential child care requirement
Canada Learning Bond	No match required		$500 deposit to each account
Canada Education Savings Grants		Savings incapacity. Matching funds required. Many poor families cannot afford.	CESG foregone
Consumer protection on accounts		Government of Canada funds are protected. Consumer deposits are not.	High legal fees to discover attachments. Bank fees if lien is executed
Uncertainty		At various points, the time needed and processes are uncertain.	Possible additional days of child care, foregone pay, fees and penalties
Bottom Line	SIN process streamlined, fast and no fee required	Multiple barriers	$221 costs in childcare, foregone pay and document fees. $1,000 in Canada Learning Bond deposits to RESPs for children.

APPENDIX C

FINANCIAL FACTS LABEL – MISSION ASSET FUND

FINANCIAL FACTS
MISSION ASSET FUND

The Financial Fact Label helps consumers make healthy financial decisions



The Financial Facts labels highlight important loan information in a clear, transparent, and easy to understand format so that borrowers can make healthy financial decisions. MAF introduces the "% of Monthly Debt Budget" metric to help borrowers quickly evaluate their ability to afford a loan by connecting income, debt, and cash flow into a single figure. Borrowers will be able to use the "% of Monthly Debt Budget" metric to compare across different types of loans and determine which is most affordable – and responsible for them to take. Consumers will be able to quickly review critical loan data, including APRs, interest rates, costs, etc. while also comparing how loan payments will affect their budget and cash flow.

NOTES

[1] OECD (2010) "Policy Framework for Effective and Efficient Financial Regulation

[2] Finance Canada (2014) Federal Budget Plan, Chapter 3.4.

[3] Access to Basic Banking Service Regulations, SOR/2003-184, *Bank Act* (S.C. 1991, c.46). Consumers are required by regulation to have two categories of acceptable official identification. If only one official piece of ID can be provided, the regulations allow a community member to vouch for the identity of the customer

[4] Paragraph 4(1), section a, subsection ii, *Access to Basic Banking Services Regulations*, SOR/2003-184, *Bank Act*.

[5] SEDI (2009) "Independent Living Accounts: Leaving Homelessness in the Past," Toronto. P.27.

[6] Assiniboine Credit Union works with the Asset Builders Partnership and other community organizations in Winnipeg who serve individuals who are unbanked or underbanked to facilitate access to deposit accounts. They have developed a system that allows community program staff to vouch for the identity of applicants. Through the Community Financial Services pilot project (now the Citizen's Bridge program) 720 community members were able to open accounts. See: *NERI North End Revitalization Incorporated Annual Report 2011-2012, p.3.* Available at: http://neri-winnipeg.org/?page_id=11

[7] Koepel, T. & MacGee, J. (2007). "Branching out: The urgent need to transform Canada's financial services landscape and how to do it", C.D. Howe Institute, Toronto.

[8] Buckland, J. *et al* (2008). "Choosing Financial Services Where the Options are Limited', working paper, University of Winnipeg; ACORN Canada (2004). "Protecting Canadians' Interest: Reining in the Payday Lending Industry", Vancouver; Lott, S. (2005). "Bank Mergers and the Public Interest", Public Interest Advocacy Centre, Ottawa.

[9] Buckland, J. & Dong, X. (2008) "Banking on the margin in Canada", *Economic Development Quarterly*, v22(3); Buckland, J. (2010). "Are Low-Income Canadians Financially Literate? Placing Financial Literacy in the Context of Personal and Structural Constraints", *Adult Education Quarterly*, v60(4); Bowles, P., Dempsey, K. & Shaw, T. (2010) "Fringe financial institutions, the unbanked, and the precariously banked: Survey results from Prince George", research report, National Collaborating Centre for Aboriginal Health.

[10] The Canadian Payday Loans Association reports that members currently have 800 storefront locations across Canada. An earlier estimate cited in Pyper (2007) estimated that the number of payday lending locations in Canada was over 1,200.

[11] Within the last few years, British fringe financial services giant Wonga has launched a Canadian business. So too has Cash American through their Canadian subsidiary Dollars Direct.ca.

[12] Pyper, W. (2007). "Payday loans", *Perspectives on Labour and Income*, Statistics Canada; Data retrieved from the Canadian Survey of Financial Capability, 2009, Statistics Canada.

[13] Data retrieved from the Canadian Survey of Financial Capability (2008). The reference period was "the last 12 months".

[14] Vancity Credit Union (undated). Retrieved from webpage on "basic banking".

[15] Ekos Research Associates (2013), public opinion polling conducted among a sample of fringe financial service users in Manitoba and Ontario for the Canadian Payday Loans Association. Respondents in each province reported greater satisfaction with the transparency of payday loan fees than deposit account fees by a margin of 14% and 17% respectively.

[16] Chawla, R. & Uppal, S. (2012). "Household Debt in Canada", *Perspectives on Labour and Income*, vol.24(2), Statistics Canada. While the mean debt for borrowers with income at or below $50,000 is $57,000, mean debt of borrowers with incomes of $100,000 and more is more than three times higher at $172,400. Note: The proportion of households studied with incomes above $100,000 is small.

[17] Data from the Canadian Survey of Financial Capability (2008), Statistics Canada.

[18] Ibid.

[19] Usher, A. (2005). "A Little Knowledge is a Dangerous Thing: how Perceptions of Costs and Benefits Affect Access to Education", Educational Policy Institute.

[20] *Ibid.* Reference period is "over the last 12 months".

[21] Pyper (2007).

[22] For example, payday loans in Manitoba are subject to a limit of 17% in interest charges. Fringe financial service providers have recently introduced small lines of credit with combined fees and interest charges nearly double that limit.

[23] Robson, J. (2013). "Does Canada Have a 'Wealth-fare' state?", doctoral dissertation, Carleton University.
[24] *Ibid.*
[25] Information shared by John Stapleton, Open Policy Ontario.
[26] SEDI, *Making RESPs Work for Low Income Canadians, s*ubmission to Canadian Securities Administrators. Available at: http://www.osc.gov.on.ca/documents/en/Securities-Category4-Comments/com_20100621_41-101_naresp.pdf
And:
Informetrica Limited, *Review of Registered Education Savings Plan Industry Practices*, report prepared for Human Resources and Social Development Canada, 2008. Available at: http://totrov.com/english/industry_practices.pdf
[27] See: Richard Shillington, *New Poverty Traps: Means-Testing and Modest-Income Seniors,* C.D. Howe Institute Backgrounder, No. 65, April 2003. Available at: http://www.cdhowe.org/pdf/backgrounder_65.pdf and John Stapleton, *Abigail: RRSP Case Study*. Available at: http://openpolicyontario.com/wordpress/wp-content/uploads/2012/09/Abigail2.pdf
[28] Data retrieved from the Canadian Survey of Financial Capability (2008), Statistics Canada. Income defined as household income in the lowest quintile, a reasonably good approximation of low-income measures.
[29] For more on this, see "The Case for Financial Literacy", SEDI, 2011.
[30] Social and Enterprise Development Innovations (SEDI), Financial Empowerment: Improving financial outcomes for low-income households, 2013. Available at: http://www.sedi.org/DataRegV2-unified/sedi-Publications/Financial%20Empowerment%20Brochure%202013.pdf
[31] Canadian Survey of Financial Capability (2008), Statistics Canada, Ottawa.
[32] For example, the Federal Deposit Insurance Corporation estimates that 8% of all Americans do not have a bank account. Source: http://www.fdic.gov/householdsurvey/. Similarly, in the United Kingdom, 4% of all households do not have a transactional bank account (Financial Inclusion Taskforce paper "Banking Services and Poorer Households",
December 2010). Figures are higher in both countries for residents living in poverty.
[33] Based on analysis of the Canadian Survey of Financial Capability (2008), Statistics Canada, Ottawa.
[34] We note with interest a recent report from the United States Postal Service on options to expand retail financial services through USPS outlets.
[35] Finance Canada (2014), Federal Budget Plan, Chapter 3.4.
[36] Disclosure of Interest Regulations (SOR 92/321) and Disclosure of Charges Regulations (SOR 92/324), *Bank Act,* (S.C. 1991, c 46)
[37] Mission Asset Fund (undated) "Financial Facts Label." Available at: http://missionassetfund.org/images/Financial%20Fact%20Label%20with%20Explanation.pdf
[38] Guideline B-10, updated March 2009.
[39] Public Accountability Statements (SOR 2002/133), *Bank Act* (S.C. 1991, c. 46).