

SUBMISSION

Targeted Consultation on Access to Cheque Funds

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Prosper Canada – Who we are

Prosper Canada is a national charity driving bold change that enables more people to prosper. With government, business and community partners across Canada, we expand life-changing financial empowerment services, innovate for greater inclusion and impact, and remove barriers to financial well-being for people with low and modest incomes.

Our goal is a Canada where everyone has the opportunity and support they need to achieve financial well-being and live with dignity, stability, and possibility.

Supported by a \$60 million investment from the Government of Canada's *Social Development Partnerships Program – Children and Families* (ESDC), in 2025 Prosper Canada launched our *Resilient Futures* program which funds 97 community organizations across Canada to deliver proven, free, high-quality, financial empowerment services, including tax filing, benefit assistance, and financial education, coaching and counselling. The program is expected to reach 1 million Canadians over four years, connecting them to an additional \$2 billion in unclaimed tax and benefit income.

This submission is a component of Prosper Canada's *Advancing Financial Wellbeing and Protection for Low-Income Canadians* project and is funded in part by Innovation Science and Economic Development (ISED) Canada's Consumer Protection Initiative. The views expressed are our own.

Background

Canada's cheque hold framework is governed by the [Access to Funds Regulations](#) under the *Bank Act*, which establish limits on how long federally regulated financial institutions can hold funds deposited by cheque before making them available to consumers. Under the current rules, banks may hold cheque deposits for up to 4 to 5 business days for amounts of \$1,500 or less, and 7 to 8 business days for larger amounts, depending on how the cheque is deposited. In addition, institutions are required to provide access to the first \$100 of deposited funds immediately or by the next business day, subject to certain conditions.

[Budget 2025](#) signalled a shift toward improving access to deposited cheque funds, including proposals to increase the amount of funds made available immediately and reduce hold periods.

The Government of Canada is currently reviewing the regulations to assess whether existing rules governing cheque hold periods remain appropriate in the context of evolving payment systems and ongoing cost-of-living pressures.

The consultation seeks views and feedback on:

- Whether proposed changes to cheque hold periods and thresholds appropriately balance timely access to funds with risk management.
- The extent to which advances in clearing technology and payment systems support faster access to funds and reduce the need for holds.
- The effectiveness and application of current exceptions and safeguards (non-application provisions) in managing risks associated with cheque deposits.
- Opportunities to improve the overall funds availability framework, including transparency, consistency, and responsiveness to evolving consumer and system needs.

Introduction

Prosper Canada welcomes the opportunity to provide input to the targeted consultation on access to cheque funds to support the development of regulations and accompanying regulatory impact analysis statement.

For many people with low incomes, delays in accessing cheque funds can trigger immediate and cascading financial and other harms. These include missed rent or bill payments, NSF and late fees, increased reliance on high-cost credit, inability to purchase groceries and essentials, and heightened financial stress. With only [45% of Canadians having an emergency fund to cover 3 months of expenses](#) and [34% of households borrowing money for daily expenses](#), these impacts can [compound existing financial precarity](#) and accelerate cycles of debt.

Moreover, [barriers to participating in the payments system persist](#), particularly due to digital and financial exclusion. For many vulnerable Canadians, access to payments is foundational to economic participation, yet system design choices can unintentionally create or reinforce barriers. This underscores the importance of ensuring that policies governing access to funds, including cheque hold practices, are **designed with inclusion in mind**, and do not disproportionately impact those with limited financial buffers or force them to fall back on alternative, more costly, cheque cashing services (e.g. Money Mart or Cash Money that charge approximately 3% of the cheque amount plus a fee ranging from \$2.99 to 43.25 per cheque).

In developing our recommendations, we considered the following factors:

- The financial realities of households with limited savings and liquidity.
- The role of timely access to funds in reducing reliance on credit, avoiding fees, and supporting overall financial well-being.
- Advances in payment infrastructure and cheque clearing processes, and their implications for the necessity and duration of cheque hold periods.

- The effectiveness of current hold rules and exceptions.
- The need to balance risk management with access and equity, ensuring that policies do not disproportionately impact low-and moderate-income consumers.

The views expressed below are rooted in evidence and insights we have acquired through research and ongoing dialogue. We engage with consumer protection stakeholders and our community partners across Canada who work firsthand with low-income and vulnerable financial consumers to help them to build their financial capability, stability, and well-being. This includes understanding how existing financial policies and practices impact their financial well-being.

Guiding principles

We have grounded our approach in alignment with Canada’s [Financial Consumer Protection Framework](#), as well as related principles Canada has endorsed through the [G20 and OECD](#). The following principles have informed our response:

1. Access to financial services must be preserved

Consumers should be able to access and use financial services without unnecessary barriers, including timely access to their own funds.

2. Consumers must be treated fairly and equitably

Policies and practices should account for the needs of all consumers, particularly those experiencing financial vulnerability, and avoid disproportionately negative impacts.

3. Transparency and clarity are essential

Consumers should receive clear, consistent, and timely information about funds availability, hold periods, and their rights.

4. Consumer assets must be protected without compromising access

Measures to manage risk and protect against loss should be balanced with the need to ensure timely and reliable access to deposited funds.

Responses to consultation questions

1. Under the new Payments Canada rules, is a hold period of two business days appropriate for amounts below the threshold?

Recommendation

Prosper Canada supports a maximum hold period of two business days for amounts below the threshold of \$2,000.

To align with principles of access and inclusion, fair treatment, and transparency, we recommend that:

- The government establish clear expectations to support consistent application of this maximum across institutions.
- Financial institutions be expected to release funds earlier where risk is low, rather than routinely applying the full hold period.
- Implementation is monitored, including impacts on households with low and modest incomes.

Rationale

Timely access to deposited funds is critical for financial stability, particularly for people with low and modest incomes who are more likely to be managing tight budgets with little to no financial buffer. [Nearly 1 in 3](#) (28%) Canadians are short of money at month-end. Even short delays can lead to [missed payments, added fees, or the need to borrow](#).

For many individuals, cheque deposits represent essential income, such as wages, government benefits, etc. Delays in accessing these funds can create immediate financial strain and contribute to longer-term financial instability. It can also push people into using costly cheque cashing services, resulting in them paying fees to access their own funds.

International experience supports shorter, more standardized, and more predictable access to funds. In the United States, the [Expedited Funds Availability Act \(Regulation CC\)](#) requires financial institutions to make a portion of deposited funds, ([currently at least \\$275](#)), available by the next business day, with **most remaining funds accessible within one to two business days**. Longer hold periods are permitted only under defined circumstances, such as large deposits, new accounts, or where there is reasonable cause to suspect fraud. This approach balances timely access with risk management and provides consumers with greater certainty.

For the purpose of the proposed regulatory changes, we support a two-business-day hold period as an appropriate *maximum* for deposits below the \$2,000 threshold. However, this timeframe should operate as a ceiling rather than a default practice. Where the risk is low, we would encourage funds to be released earlier.

2. Under the new Payments Canada rules, is a hold period of 3 business days appropriate for amounts above the \$2,000 threshold?

Recommendations

A three-day maximum can be justified for some higher-value transactions, but only if it remains a maximum and not the standard practice.

Prosper Canada recommends that:

- Holds be applied in a targeted, risk-based manner, and not as a default.
- Institutions be expected to release funds earlier where risk is low.
- Clear expectations be set to support consistent application.
- Implementation be monitored, including effects on households receiving irregular or lump-sum income.

Rationale

While higher-value cheque deposits may present increased fraud risk, extended hold periods can create significant hardship for consumers, particularly those with low and modest incomes who may be relying on these funds for essential expenses.

Deposits above the \$2,000 threshold are often not discretionary funds. For many lower-income households, [larger deposits](#) may be insurance proceeds, retroactive benefits, tax refunds, settlements, or irregular earnings. Those are often the funds people need most urgently to stabilize their situation, pay arrears, replace essentials, and/or avoid further borrowing.

As jurisdictions increasingly move toward real-time online and telephone payments, it makes sense to see how we can reduce waiting times for cheques to enable consumers to have speedier access to their funds and avoid disadvantaging them unnecessarily

In the United States, [Regulation CC on the Availability of Funds and Collection of Checks](#) allows longer hold periods only under specific conditions, such as large deposits above defined thresholds, new accounts, or reasonable suspicion of fraud, rather than applied universally. This approach combines early access to a portion of funds with clearly defined exceptions, ensuring that consumers are not unnecessarily restricted from accessing their money.

For these reasons, a three-day hold period is appropriate as a maximum limit but should not be applied as a default. Ensuring that holds are used selectively, based on actual risk, will be critical to achieving the intended consumer protection benefits of the proposed changes.

3. Is the proposed threshold amount of \$2,000 appropriate and sufficient?

Recommendations

Prosper Canada supports increasing the threshold to at least \$2,000, up from the \$1,500 level, to better reflect current transaction values and cost-of-living realities.

We recommend that:

- The threshold be regularly reviewed and adjusted to reflect inflation and changes in cost of living.
- Consideration be given to indexing the threshold over time to avoid the need for periodic legislative updates.
- Monitor how the threshold interacts with hold periods in practice, including whether it creates unintended barriers for certain groups.
- The threshold be complemented by expectations that financial institutions release funds earlier where risk is low (e.g. where the cheque is issued by the Government of Canada or a provincial government), rather than relying on threshold-based distinctions alone.

Rationale

Increasing the threshold is an important and necessary step to improve timely access to funds and better align the framework with the financial realities of Canadian households.

[The current \\$1,500 threshold has not kept pace with rising costs of living, increasing transaction values](#), and the broader affordability pressures facing Canadians. As a result, many routine deposits, including pay, benefits, and other common transactions, fall above the threshold, limiting access to shorter hold periods for a significant portion of consumers.

However, it's important to note that a threshold-based approach can create sharp distinctions in access to funds that do not reflect actual risk or consumer need. For example, a deposit just above the threshold may be subject to a longer hold period despite posing minimal additional risk. This can result in inconsistent access to funds for consumers and undermine the intent of improving access. This matters especially for lower-income households with variable income patterns. Someone receiving gig income, retroactive benefits, an insurance payment, or a one-time reimbursement may move above and below the threshold unpredictably. The policy can therefore create inconsistent access to funds for people who already face unstable cash flow.

For these reasons, increasing the threshold to \$2,000 is appropriate. Its impact, however, will depend on how it is implemented, including whether it is adjusted over time and embedded within a broader approach that prioritizes timely access to funds and proportionate risk management.

4. How effectively are current systems and processes supporting the existing threshold, and has modern clearing technology reduced the need for holds at this level? Further, what operational or system limitations would influence how much the threshold could realistically be increased?

Recommendations

Based on available evidence and consumer-facing insights, Prosper Canada recommends that the government:

- Recognize that [advances in clearing systems and technologies](#) have improved processing times for digital and telephone payments and there is opportunity to explore faster clearing times and higher thresholds for cheques.
- Set clear expectations for more risk-based, differentiated use of holds, rather than relying on fixed thresholds as the primary tool.
- Address operational practices and legacy payment dependencies, not just system capabilities.
- Continue to advance payments modernization, including real-time and near real-time systems.
- Monitor how system capabilities translate into real-world consumer outcomes, particularly for households with low and modest incomes.

Rationale

In Canada, the transition to image-based cheque clearing has eliminated the need for physical transportation and enabled electronic exchange of cheque data between institutions. This has accelerated clearing timelines and improved the ability to assess risk earlier in the process. As a result, current hold periods are no longer primarily driven by technical constraints, but increasingly by institutional practices.

At the same time, Canada remains in a hybrid payments environment, where modern clearing capabilities coexist with continued reliance on cheques in specific use cases.

While [overall cheque use is declining](#), cheques remain important in contexts such as:

- Insurance claim payments
- Government-issued payments and reimbursements

- Legal settlements
- Certain small business and contractor payments

For people with low and modest incomes, these payments can be financially significant deposits, such as retroactive benefits, emergency assistance, or compensation following a loss.

In the United States, cheque clearing has similarly modernized through image-based exchange, and [Regulation CC on the Availability of Funds and Collection of Checks](#) has been updated to reflect faster processing timelines and to limit extended cheque holds to [defined circumstances](#). This demonstrates how regulation can adapt to reduced technical constraints.

Based on international experience, there is a rationale to increase the threshold and speed at which funds can be accessed over time.

5. How frequently are the non-application provisions applied?

Recommendations

Currently, there are no publicly available datasets or reporting that track how often these provisions are applied in Canada. Instead, frequency must be inferred from a patchwork of enforcement actions, transaction patterns, and consumer experience. This creates a significant evidence and accountability gap. To strengthen the effectiveness and oversight of non-application provisions, Prosper Canada recommends the following:

- Greater transparency in how non-application provisions are used.
- Require financial institutions to collect and report data on the frequency and use of non-application provisions, including the specific trigger (e.g. new account, suspected fraud).
- Clear, timely communication to consumers when exceptions are applied.
- Monitor whether use of these provisions is disproportionately affecting certain groups, including consumers with low and modest incomes.

Rationale

Non-application provisions are intended to function as targeted safeguards within the *Access to Funds Regulations*, allowing financial institutions to extend hold periods or deny immediate access where there is a clear and elevated risk, such as suspected fraud, new accounts, or irregular cheque characteristics. This aligns with core financial consumer protection principles, including protection of consumer assets, equitable treatment, transparency, and access to financial services.

However, when funds are held beyond standard timelines, and if this is done without clear explanation, this can create confusion and uncertainty, increase financial stress, and undermine trust in financial institutions.

As noted above, there are no publicly available datasets or reporting that tracks how often these provisions are applied in Canada. FCAC has twice issued decisions finding banks wrongly applied exceptions in violation of *Access to Funds Regulations* ([Decision #56328-297Q403](#) in 2003 and [Decision #460115](#) in 2007). These incidents were reported and investigated but it is possible many more incidents go unreported.

While cheques only account for [two percent of payment volume](#) in Canada, the risk triggers that can justify non-application – such as NSF history, new accounts, or large deposits, are not uncommon. For example, approximately [34% of Canadians are estimated to incur an NSF fee in a given year](#), creating a large pool of accounts that could be flagged under “reasonable grounds” provisions.

Taken together, this limited data suggests that, while non-application provisions are designed as exceptions, they may be triggered across a broader set of circumstances than intended and be applied inconsistently across institutions. This raises concerns with respect to fair and consistent treatment of consumers and timely access to funds, particularly for financially vulnerable consumers.

If non-application provisions are used frequently, or unpredictably, they can effectively override the intended benefits of shorter hold periods and higher thresholds, particularly for those most in need of access.

6. Are the current non-application provisions adequate to protect against losses from fraudulent cheques? Are these provisions sufficient to support fraud mitigation measures?

Recommendations

Prosper Canada believes the current non-application provisions are necessary, but not sufficient.

More specifically, we recommend that:

- The existing provisions be retained as targeted exceptions for clearly elevated cheque-related risk.
- Financial institutions be required to apply these provisions in a consistent, evidence-based, and proportionate manner, supported by clearer expectations around what constitutes sufficient evidence for invoking them.

- Use of these provisions be tracked and reported, including the trigger used and whether certain groups are disproportionately affected.
- Policy design and implementation explicitly consider impacts on financially vulnerable consumers.

Rationale

The [current non-application provisions](#) address a set of legitimate, cheque-specific risks. They allow financial institutions to extend hold periods or deny immediate access in defined circumstances, such as suspected fraud, new accounts, or irregular cheque characteristics and require that cheques be encoded, readable, drawn on a Canadian branch, and issued in Canadian dollars. These are appropriate safeguards for higher-risk or atypical items.

However, their effectiveness depends on how they are applied in practice. This places significant weight on institutional practices and policies and creates potential for inconsistent application. Clear guidance on what constitutes sufficient justification is essential to ensure these provisions are used consistently and within their intended scope.

There is also limited visibility into how frequently these provisions are invoked, under what conditions, and with what outcomes. This makes it difficult to assess whether they are functioning as intended. Strengthening data collection, reporting, and monitoring would support greater accountability and oversight.

These considerations are particularly important from an equity perspective. Delayed access to funds does not affect all consumers equally. For those with low and modest incomes, even short delays can disrupt cash flow and lead to disproportionate financial consequences, including missed payments, fees, or reliance on credit.

Taken together, this supports retaining non-application provisions as targeted exceptions, while ensuring they are applied in a consistent, evidence-based, and proportionate manner, with improved monitoring and explicit consideration of impacts on financially vulnerable consumers.

Conclusion

Modernizing access to cheque funds is a critical opportunity to strengthen financial consumer protection and improve financial outcomes for Canadians, particularly those with low and modest incomes.

The proposals outlined in the consultation document, combined with our recommendations can improve consumer access to funds and reduce the frequency, duration and negative impact of cheque holds on low-income and financially vulnerable consumers. Continued efforts to

reduce hold periods, increase thresholds, improve transparency, and align with international best practices will help ensure Canada's financial system supports financial well-being, inclusion, and resilience.

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