



Canadian Debtors Association calls on Canada's Credit System to examine and improve its own financial literacy to help Canadians

Systemic flaws fail to provide accurate information about the credit status of consumers

November 15, Hamilton, ON: November is Financial Literacy Month and it's time for Canada's Credit industry to take a hard look at its own financial literacy, particularly regarding how industry players contribute information for consumer credit reports. The Canadian Debtors Association (CDA) wants the Credit System to improve the accuracy of credit reporting for consumers who often face punishing financial circumstances.

"During Financial Literacy month, the emphasis is usually on how Canadians can improve their understanding of credit and the management of their debt," says CDA CEO Henrietta Ross. "While this continues to be important, the CDA sees room for improvement by the Credit Industry itself."

Far too often, Canadians that undertake insolvency solutions for their debt, such as a federally regulated bankruptcy or consumer proposal, find that their bankruptcy or proposal is reported inaccurately on their credit report. This misreporting can cause an impression that the debtor who has chosen a consumer proposal solution has undertaken a complete personal bankruptcy, when they have not. Sometimes, the credit report continues to show missed payments that were due, even though the payments agreed to by the lender, and required under the consumer proposal, are being made. This kind of misreporting can also happen when the proposal has been fully paid by the consumer.

When official statements on credit reports related to bankruptcy and consumer proposal are incorrect or confused with intermingled details, consumers are subjected to unfair and harsh treatment.

"Being the target of misinformation creates unnecessary anxiety and reputational damage for consumers," says Ross. "They also experience hardship as a result, such as delays in the rehabilitation of their credit history, denial of employment opportunities or denial of a lease from a landlord or increased costs for services such as insurance."

The CDA is calling upon every Lender, including Canada's major banks, to closely examine the accuracy of how they report instances of bankruptcy and consumer proposal for consumers. They must ensure that the correct ratings and explanatory narratives are passed along to each of the primary credit reporting agencies and any third-party that generates consumer credit reports.

According to the government of Canada, the credit rating for a consumer proposal is R7 which means the consumer is making regular payments using a debt management option. This rating is the same as the credit rating for a debt management program with a credit counselling agency, a consolidation order or an orderly payment of debts. The credit rating for a bankruptcy is R9.

“CDA was formed in 2018 to be the industry advocate that supports and advocates for Debtors,” Ross says. “Having an accurate credit report is very important for Canadians and we are committed to working together with lenders and credit reporting agencies to improve the accuracy of them. Canadians need to know they have the right to expect that their credit report is accurate. CDA sides with consumers to rectify systemic problems that hinder rather than help people get back on their financial feet. With a coordinated effort for improvement, everyone benefits, including everyday Canadians.”

About The Canadian Debtors Association

The Canadian Debtors Association (CDA) is a national non-profit organization that is committed to building a better Debtor experience, particularly for individuals and families who are financially vulnerable. CDA’s transformational vision includes introducing better structures, supports and the care that is needed for Debtors to successfully recover from financial breakdown and insolvency. For more information, visit www.debtorsvoice.org.

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