

IT IS TIME FOR A CERB/CRB DEBT RELIEF PLAN

Issue

CERB debt is plunging lower-income households into financial crisis, as many cannot feasibly manage to repay these amounts. Urgent action is needed to provide debt forgiveness/relief to these households.

Recommendations

1. **The federal government should urgently implement a graduated CERB/CRB debt relief program**, whereby CERB and CRB debt would be forgiven entirely for people living on low incomes as defined by the MBM and repayment amounts would be graduated for individuals earning up to \$50,000, repayable over a 5-year period, interest- and penalty-free, and capped at \$5,000.
2. **To stem the real threat of more financial and mental health crises, the government should immediately announce that it will not be seeking CERB and CRB repayment from social assistance, disability support, and GIS recipients** and that a more comprehensive forgiveness and relief policy will be announced shortly.
3. **No new letters should go out to CERB and CRB recipients determined to be ineligible until a graduated relief program has been put in place.**

Background

CERB and CRB pandemic benefits were a vital lifeline for millions of Canadians, providing a firm financial floor that helped them pay for basic needs like rent, food, and utilities.

In December 2020, however, 441,000 Canadians received letters from CRA informing them they were likely ineligible for CERB payments they had received and urging them to repay these funds.¹

Some repayment letter recipients were, in fact, eligible, but cannot provide substantiating documentation to show they earned \$5,000 of employment income because their earnings were not all captured in T4As (e.g., honoraria from nonprofits, wages for casual work, odd jobs).

Others were asked to apply for CERB, regardless of their eligibility, by government social assistance caseworkers or risk losing their income assistance. Provincial social assistance rules generally require beneficiaries to apply for all available benefits.

Some applicants applied in good faith, but did not understand CERB eligibility requirements, while others had no other options when their costs increased and community support programs they relied on to help meet basic needs shut down.

Most CERB recipients were low-/moderate-income Canadians, many heavily reliant on social assistance, disability support, or seniors' benefits, and consequently now have little or no ability to repay² the CERB payments they received – in some cases up to **\$19,000**.

In many cases, CERB payments low-income people received were partially or even fully clawed back by provincial programs – e.g., social assistance,³ disability support, rent-gear-to-income⁴ housing. These people are now being asked to pay back funds that, in large part, ultimately flowed to their provincial/territorial government – not to them.

CRA is expected to shortly issue repayment letters to CRB recipients who have similarly been determined to be ineligible for the benefits they received, further exacerbating the scale and severity of this issue.

Rationale

The purpose of CERB and CRB was to financially stabilize Canadians impacted by pandemic earnings and job losses, prevent hardship, and enable people at risk to stay home safely. By these measures, these emergency programs were unqualified successes.

When these benefits were launched, though, all involved knew that the decision to rely on attestation alone would come at the cost of complications down the road. The government made the right choice in opting for speed, but we now need to deal with the repercussions of this choice.

We would argue the original objectives of CERB/CRB should still prevail in guiding how the government deals with those it has now determined are ineligible. We are still in a pandemic, arguably the worst wave yet, people with low/moderate incomes continue to bear the economic brunt, and they remain the only economic group for whom rates of financial strain and hardship continue to grow.⁵

For the first time, in some cases, people on social assistance no longer had to choose between buying food, paying rent, or meeting their health needs – thanks to CERB. To learn they now

owe the federal government thousands of dollars is a cruel blow that is causing enormous stress to already vulnerable individuals.

Community agencies and credit counselling organizations are reporting a sharp rise in clients in financial crisis precipitated by CERB debt, a debt made more impossible by the fact that many low-income CERB recipients also saw their 2021 federal income benefits reduced or eliminated due to the CERB income they received in 2020.

CERB debt and clawbacks are causing clients to report higher than normal levels of financial stress to community financial help workers and credit counsellors.

Social assistance and disability support beneficiaries live far below Canada's official poverty line⁶ and cannot hope to repay debts of the magnitude incurred through CERB except by foregoing basic needs such as food and shelter.

It is, therefore, contrary to the intent of CERB/CRB to assign any CERB debt to these individuals. The weight of even a potential debt this size is a daily threat to vulnerable Canadians' peace of mind and mental health and is causing them to make choices – such as not tax filing – that further undermine their financial stability and health.

The fact that many social assistance/disability support recipients were forced into applying for and taking CERB by provincial/territorial governments so they could offload their caseloads onto CERB suggests that any ineligible amounts should first be recovered from these governments – not beneficiaries who were caught in the middle through no fault of their own.

65% of Canadian households with incomes under \$50,000 are experiencing financial hardship right now and over 40% have unmanageable debt.⁷ If the government is sincere in wanting to effect an inclusive and equitable recovery, then there is nothing to be gained economically from saddling these households with yet more debt that they cannot manage.

A generous, graduated debt forgiveness and relief scheme tailored to ability to pay, that caps CERB debt at \$5,000 and allows for repayment over 5 years interest- and penalty-free, provides for some recovery of misallocated funds, but in a balanced and manageable manner that does not further threaten the financial stability of struggling households.

The results of the last election showed that Canadians appreciate the government's efforts to "have their backs" and understand that extraordinary measures and expenditures are necessary to protect the most vulnerable in this pandemic and to enable everyone to participate in our eventual economic recovery.

A CERB debt forgiveness and relief plan would protect vulnerable and financially struggling Canadians from deeper poverty and hardship and demonstrate, once again, the government's commitment to ensuring *all* Canadians are supported to make it through this pandemic safely.

Notes

¹ Cullen, C. CRA sent 441,000 'education letters' to Canadians who may have to repay CERB benefits. CBC News; 2020 Dec 14. Available from <https://www.cbc.ca/news/politics/cerb-covid-coronavirus-pandemic-1.5840550>

² Total welfare incomes for single adults are as little as \$7,643 per year. See: Laidley, J and Tabbara, M. Welfare in Canada, 2020. Toronto: Maytree; 2021. Available from <https://maytree.com/welfare-in-canada/>

³ CERB payments were fully clawed back from social assistance payments in Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, and Nunavut and partially clawed back in Alberta, Manitoba, Ontario and Quebec. CRB payments were fully clawed back in every province and territory except British Columbia.

⁴ Desmarais, A. How CERB is affecting rent payments for N.W.T. clients in social housing. CBC News; 2021 Aug 20. Available from <https://www.cbc.ca/news/canada/north/cerb-rent-payments-social-housing-nwt-1.6146476>

⁵ A recent [study on the financial impact of the pandemic on low-income households](#) (defined as households with incomes below \$25,000, or \$50,000 for multi-person households) shows a 47% increase in the number of low income households. As of June 2021, 26.1% of Canadians households were low income, representing 6.75 million households, versus 4.6 million households in 2018. The study also documented rising numbers of low-income households reporting financial strain and hardship. In June 2021:

- 90% have seen an increase in their cost of living
- 68% reported that the pandemic had reduced their financial security
- 65% reported experiencing financial hardship (up from 55% in June 2020)
- 51.5% reported having to draw down on savings
- 40% reported being unable to meet their essential expenses (up from 30% in June 2020)
- 29% saw their income decrease by more than 25% during the pandemic, and 16% reported a decrease in income of over 50%.
- 18.4% reported that their household has been unable to afford enough food.
- 12% have been threatened with eviction

⁶ Laidley, J, Tabbara, M. Welfare in Canada, 2020. Toronto: Maytree Foundation; 2021 Dec. Available from <https://maytree.com/welfare-in-canada/>

⁷ Duncan, E, Koci, K. The financial resilience and financial well-being of Canadians with low incomes: insights and analysis to support the financial empowerment sector. Toronto: Seymour Management Consulting Inc.; 2021 Nov. Available from https://financialhealthindex.org/wp-content/uploads/2021/10/Final-Detailed-Seymour-Low-Income-Report_Nov2021.pdf