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## **Submission to Finance Canada's Review of the Federal Financial Sector Framework (November 2016)**

While businesses in most sectors across Canada were suffering, Canada's big 6 banks gouged out record annual profits of almost \$35 billion in 2015 (which works out to almost \$4 million in profit every hour, 5% higher than in 2014, and double their profits in 2010). The big banks also continued in 2015 paying their CEOs about \$10 million each, and also giving them bonuses that totalled more than \$10 million (51% higher than in 2008).

In 2016, Canada's big 6 banks continue to gouge out excessively high profits – by September 30th they had already made a total of \$23.5 billion – in part by firing thousands of people, cutting services, and hiking fees.

Canada's big banks make [among the highest percentage of profit of any banks in the world](#) while doing far too little to give fair and equitable support to job-creating businesses across Canada.

But still the federal government continues to fail to require the banks serve everyone well at fair prices, or to require responsible lending and investing, even though the government gave the banks a record \$114 billion bailout in 2008-2009 (most of it by having CMHC purchase mortgages from the banks), and even though the federal government will likely bail out the banks again if they have any financial difficulties.

We are writing urging you to work with all federal political parties to make the changes needed to ensure our big banks serve everyone well at fair prices, lend and invest our money responsibly to support sustainable, responsible job-creating businesses and community development, and remain Canadian-owned and controlled.

The following key changes, supported by Democracy Watch and the nation-wide Canadian Community Reinvestment Coalition (CCRC) that it coordinates, which is made up of 100 citizen groups from across Canada with a combined total membership of more than 3 million Canadians, must be made to ensure better Canadian big banks:

1. Establish a Financial Consumer Organization (FCO) to help consumers (as recommended by the Task Force on the Future of the Canadian Financial Services Sector and a House and Senate committee in 1998), and an Individual Investor Organization (IIO), using a method that has been successfully used in the U.S., by requiring banks and other financial institutions to send email and mailed notices inviting their customers and shareholders to join the FCO and the IIO at a nominal annual membership fee (See details at: <http://democracywatch.ca/fco/> and <http://democracywatch.ca/individualinvestororg/>);
2. Require banks and trust companies to provide detailed information on loans, investments and services to customers, as required in the U.S (to track whether banks are fairly meeting the needs of individuals and businesses on a community-by-community level and, as in the U.S., to require corrective action if banks are not fairly meeting customer needs);
3. Empower the Competition Bureau and Financial Consumer Agency of Canada (FCAC) to conduct an audit of profits from service charges and credit card interest rates, and reduction in competition community-by-community across Canada, and savings from closing branches and firing tellers, over the past 15 years, and require banks to cut charges and open branches if past profits were excessive;
4. Prohibit any future service charge or credit card interest rate increases if the bank can't prove the increase is justified;
5. Fire the Canada Post board because, among other negligent actions, they have failed to pursue postal banking even though their internal report showed it would be feasible and profitable, and appoint a new board and give Canada Post a banking license to provide basic banking services and small personal lines of credit and small business loans at its branches across Canada;

6. Require banks and trust companies to disclose the profit/loss record for any branch proposed to be closed, to allow for a full review of the reasons for the closure;
7. Require banks and trust companies to prove that they have a fair, responsible and very good service, lending and investment record every year for the past 10 years as a mandatory condition for any financial institution bidding on federal government contracts;
8. Require the Financial Consumer Agency of Canada Commissioner to conduct "mystery shopper" audits of financial institution compliance with laws at least every 3 years, and to disclose the name of the financial institution and the terms of settlement whenever the Commissioner finds that an institution has violated the law (currently, the Commissioner can only disclose the name of the institution if the Commissioner prosecutes the institution), and change the complaint process to require all financial institution to be covered by the Ombudsman for Banking and Investments (OBSI) and allow consumers to complain to the OBSI directly at any time without having to go first to their bank's ombudsman;
9. Give customers access to the money they deposit by cheque as soon as the cheque clears, and;
10. Given that each of the big banks makes billions of dollars each year, increase the maximum penalty for violating the *Bank Act* from the too-low amount of \$500,000 to the more effective penalty of \$50 million.

Canadians have made it clear in every poll conducted over the past 15 years that they need, and want, better banks. Please close these gaps by passing a law to ensure that all financial institutions in Canada serve all Canadians fairly and well, use our money responsibly, and can be held accountable for poor lending, investment or service records.

And please do not let Canada's banks take over any other financial institution, or merge together, before you have set up the Financial Consumer Organization (FCO) and Individual Investor Organization (IIO), and the strict bank lending, investment and service disclosure and evaluation system outlined above.