

SUBMISSION

FINANCIAL SECTOR REVIEW

November 15, 2016

Submitted electronically to:

Financial Institutions Division
Financial Sector Policy Branch, Finance Canada
LegislativeReview-ExamenLegislatif@canada.ca

Thank you for this opportunity to share our views on Canada's Financial Sector Framework and to suggest ways in which it can be strengthened to build a more inclusive economy that will benefit all Canadians.

Our reflections focus primarily on how we can strengthen the utility of the financial sector, specifically its ability to meet the needs, and protect the rights, of consumers living in poverty. These reflections are drawn from our respective organizations' many years of working directly, or through collaborative partnerships, with Canadians with low incomes and low or no financial assets to help them build their financial stability, security and wellbeing.

The Canadians we serve are often socially and economically excluded and, therefore, very likely to also experience some measure of financial exclusion. Due to their limited financial resources, they have no room for financial mistakes and are, therefore, also at the greatest risk of harm when it comes to gaps in our financial consumer protection framework. At the same time, people with lower incomes may be transitioning to a higher or lower income, depending on work opportunities, family responsibilities, health circumstances, etc. Ensuring that this is fully taken into account when they receive financial products, services and advice is important.

As your consultation document so accurately describes, the financial marketplace is becoming increasingly complex and financial products, services and advice are increasingly delivered via technological channels, rather than face-to-face in traditional 'bricks and mortar' branch structures. In light of these trends, there is increasing risk that people with low incomes, as well as other vulnerable groups, will be left out and left behind due to the following barriers:

- Inadequate identification to open bank accounts
- Low English/French language, literacy, numeracy, financial literacy and/or computer skills
- Lack of access to a secure computer
- Lack of access to local mainstream financial services
- Low or no access to safe and affordable financial products, services or advice that meet their needs.

While Canada exceeds most other nations in the percentage of its population who are banked, those who are not banked are most likely individuals with low incomes and some sub-populations are at much higher risk than other Canadians of being unbanked. For example, the unbanked rate for Indigenous Peoples in Canada is estimated to be from 4.2 per cent¹ to as high as 15 per cent.² If we also include the underbanked, the picture gets somewhat starker – approximately 13 per cent of Canadians overall either have no bank accounts or zero-balance accounts, and a majority of these tend to be the urban poor.³ Even those who are fully banked, however, may still find it difficult to access or benefit from mainstream consumer information and protection resources if they have language and literacy challenges.

¹ 2009 Canadian Survey of Financial Capability

² Bowles, Paul, Keely Dempsey, and Trevor Shaw. 2010. *Fringe Financial Institutions, the Unbanked and the Precariously Banked: Survey Results from Prince George, B.C.*

³ J. Buckland and X.-Y. Dong. "Banking on the Margin in Canada," *Economic Development Quarterly*, August 2008, vol. 22 no. 3, p. 253.

We appreciate the strides Canada has made in providing more accessible financial services for this population and acknowledge and applaud the many proposed improvements to our consumer financial protection framework set out in the recently introduced Bill C-29. It is not enough, however, to protect those who are already accessing mainstream financial services. We need to also ensure that *all* Canadians are able to freely access the financial products, services and advice that they need to build their financial wellbeing. To this end, we respectfully recommend that:

1. The government convene key financial and non-profit sector stakeholders to consider:

- **What basic or minimum financial services do all Canadians need to be fully financially included in today's society?**
- **Who is currently not able to access which basic or minimum services and why?**
- **What steps must be taken by whom to close these gaps?**

Through this process, the government would aim to identify and find ways to address key market failures with respect to safe and affordable financial products and services for people with low incomes, including but not limited to:

- A dearth of safe and affordable small-dollar credit options
- The absence of unbiased sources of quality financial advice tailored to the financial needs and realities of people with low incomes; and
- The absence of mainstream financial services in many rural and remote communities.

These failures expose people with low incomes to significantly higher uncertainty, risks and costs than other Canadians when it comes to accessing financial services; and act as barriers to the achievement of a more inclusive economy – a key objective of the current government.

2. The government work with the Canadian Bankers Association to update its [2014 Low-Cost Account Guidelines](#) to align with new voluntary [National Bank Account Standards](#) established in the United States, in particular with respect to features that reduce or eliminate the possibility that account holders will incur unanticipated penalties and fees. Where Canada's guidelines already exceed those of the U.S. with respect to safety, certainty and affordability for consumers, we should continue to adhere to the Canadian standard.

In 2015-6, Bank On and the Cities for Financial Empowerment Fund secured the agreement of national banks in the United States to adhere to new national account standards that made basic banking safer and more affordable for millions of unbanked and underbanked Americans. While Canada's own guidelines for low-cost and no-cost accounts compare very favourably in many respects with those adopted in the U.S., there is still room for improvements that can help to reduce the number of unbanked and under-banked in Canada and move us to the forefront of international financial inclusion efforts.

We know from our work that even small unanticipated fees (let alone large NSF penalties) can wreak havoc on the budgets of people living with low incomes, impinge on their ability to meet their basic needs, and even lead to crises like eviction if they are unable to meet other financial commitments like rent payments. Removing uncertainty from our basic banking framework is, therefore, critical to any effort to financially include people with low incomes.

3. **The government mandate banks to incorporate accessibility for vulnerable populations (e.g. people living on low incomes, people with disabilities, newcomers, Indigenous Peoples, people with mental health challenges) into their broader accessibility training for frontline personnel.** Understanding poverty and its impacts on existing and potential customers can be a powerful way to help bank personnel enable people with low incomes to obtain financial services appropriate to their needs and avoid purchasing inappropriate products that pose unnecessary costs and risks. To this end, training for frontline personnel should promote understanding of the barriers vulnerable groups often encounter when attempting to access mainstream financial services and ways frontline personnel can help to mitigate or eliminate these barriers altogether. Particular attention should be given to ensuring staff are knowledgeable about products that are particularly valuable for specific groups (e.g. RESP and Canada Learning Bond for families with children, RDSP for people with disabilities and their families, TFSAs as savings vehicles for people with low incomes) and products that are inappropriate for certain groups (e.g. RRSPs for people with chronically low incomes for whom these will create unnecessary tax liabilities post-retirement).
4. **The government expand Section 627.91(1)(a)(ii) of Bill C-29 which addresses public accountability statements of banks, to include reporting on measures taken by the bank and its prescribed affiliates to provide products and services to people with low incomes as well as persons facing accessibility, linguistic or literacy challenges.** This was a requirement under the prior legislative framework and we believe the ongoing challenge of financial inclusion for people with low incomes requires continued accountability on this issue.
5. **The government amend Section 627.02 (a) of Bill C-29 which sets out principles to read that “basic financial services should be accessible” (rather than basic banking services) if the term ‘banking’ can be interpreted to mean only basic deposit accounts, rather than a fuller suite of financial services – e.g. including credit.** This is intended to leave open the possibility that the government and relevant stakeholders may deem a broader suite of financial services to be basic in today’s society as per recommendation #1 above; and to encourage banks to undertake broader efforts to meet the financial needs of people with low incomes that extend beyond basic banking accounts.
6. **The government ensure that mandatory disclosure of information on the conditions to be met for the opening of a retail deposit account by a natural person under subsections 627.04(1), (3) and (4) of Bill C-29 be in plain language and include information on the option to submit: “any document from a reliable source that indicates the person’s name and date of birth, if the person’s identity is also confirmed by a customer in good standing with the member bank or by a natural person of good standing in the community where the point of service or branch is located.”**

Lack of adequate formal identification, and the cost to obtain such identification, is a major barrier to financial inclusion for many people with low incomes, including people who are homeless, people fleeing domestic violence, and young people. Too often, people with low incomes who do seek to open bank accounts are not advised of the option to have an eligible community member vouch for them and, even when community organizations actively intervene with banks to help their clients avail themselves of this option, they are often told by frontline bank personnel that there is no such option. Mandatory disclosure of this option, publicly displayed in plain language at branches and on each banks’ website with a link to the relevant legislation/regulations online, will help to both inform bank personnel that this is a consumer right in Canada and empower people with low incomes and the organizations supporting them to avail themselves of this right. FCAC’s Clear Language Guidelines are an excellent standard that can be referred to in relevant regulations.

7. The government establish an appropriate grade level standard for English and French language used in mandatory disclosure statements to ensure this information is as accessible as possible to all consumers, including those with low English/French language and literacy skills.

Many people struggle with banking and financial terminology but people with language and literacy barriers face an even steeper challenge when it comes to making sense of financial and banking information. For mandatory disclosure of information to be effective as a means of informing and equipping consumers to make optimal financial choices, the information must be easily intelligible to everyone – even those with low literacy and English/French language skills. To this end, we encourage the government to seek guidance from established literacy organizations with experience serving newcomers and people with low incomes and literacy barriers to decide on an appropriate standard.

For more information and suggestions on how the government can further financially include and protect Canadians with low incomes, we encourage readers to consult our more extensive brief on this subject, [Toward a Comprehensive and Inclusive Consumer Protection Framework for Canada](#), submitted to Finance Canada, February 28th 2014 by the Canadian Literacy and Learning Network, St. Christopher House (now West Neighbourhood House), Momentum Calgary, SEED Winnipeg, and Social and Enterprise Development Innovations (now Prosper Canada).

In conclusion, we sincerely appreciate the opportunity to participate in the government’s deliberations on how to strengthen Canada’s financial sector and authorize Finance Canada to make this submission public. We would also be pleased to provide further information or to answer any questions. For more information, please contact: Elizabeth Mulholland, CEO, Prosper Canada at lmulholland@prospercanada.org or Louise Simbandumwe, Chair, ABLE Policy and Research Action Group at louise@seedwinnipeg.ca.

Sincerely,

(No e-signature available)

Marva Burnett
Board President, Acorn Canada



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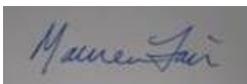
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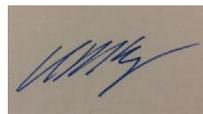
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OUR ORGANIZATIONS



4 Pillars Consulting Group has supervised the successful restructuring of millions of dollars of debt held by over 20,000 clients across Canada since 2002. On average our clients have been able to eliminate 80 percent of their debt. We structure the lowest possible settlements for debtors, helping them show restitution to creditors and prevent claims of bankruptcy. By incorporating financial literacy learning into our programs we have achieved a 97% success rate. www.4pillars.ca



ABC Life Literacy Canada envisions a Canada where everyone has the literacy skills they need to live a fully engaged life. ABC is a national, non-profit literacy organization that supports community learning centres and workplaces in delivering skills training. ABC has been active in the financial literacy sector for 6 years through our *Money Matters* program, with over 10,000 participants engaged, in every province and territory. <http://abclifeliteracy.ca/>



Acorn (Association of Community Organizations for Reform Now) Canada is an independent national organization of low- and moderate-income families. We have over 80,000 members organized into twenty neighbourhood chapters in nine cities across Canada. We believe that social and economic justice can best be achieved with a national active membership who are invested in their organization and focused on building power for change! www.acorncanada.org



EBO Financial Education Centre is the most prominent non-profit community organization to offer unbiased financial literacy services in both official languages in Ottawa in partnership with the community, public and private sectors. Since 1979, our mission is to fight financial exploitation and consumer debt. <http://www.centre-ebo.com/>

The **Edmonton Financial Empowerment Collaborative** (EFEC) draws on the commitment of over 25 member organizations involved in providing supports and services to individuals and families who experience financial vulnerability. With a focus on earning, saving and building, EFEC promotes opportunities for the economically marginalized of Edmonton and area to further acquire skills and improved access to supports that tangibly enhance their financial security. newbuild.typepad.com/



Momentum is a change-making organization that combines social and economic strategies to reduce poverty. We use a holistic approach that covers everything from financial literacy, entrepreneurship and skills training, to developing communication skills, and building self-confidence. At Momentum, everything we do is grounded in a community economic development model, which means we work with individuals, businesses and systems to build a more inclusive local economy. <http://www.momentum.org>



Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. As Canada's leading national champion of financial empowerment, we work with governments, businesses, and community groups to develop and promote financial policies, programs and resources that transform lives and foster the prosperity of all Canadians. www.prospercanada.org



Supporting Employment and Economic Development (SEED) Winnipeg Inc. is a community economic development organization established to reduce poverty in Winnipeg. SEED Winnipeg is dedicated to building strong communities and increasing opportunities for people through financial empowerment programs and services. <http://seedwinnipeg.ca>



West Neighbourhood House, formerly St. Christopher House, is a multi-service neighbourhood centre in Toronto providing direct services with a community development approach. The mission is to enable less-advantaged individuals and groups to gain greater control over their lives and their community. The range of low-income people served by the House includes families with children, people with disabilities, immigrants and refugees, seniors, and people with mental health issues and/or addictions. www.westnh.org

EDMONTON FINANCIAL EMPOWERMENT COLLABORATIVE MEMBERS

1. Edmonton Mennonite Center for Newcomers	www.emcn.ab.ca
2. Alberta Human Services	www.employment.alberta.ca
3. The Home Program	www.homeprogram.ca
4. Wings of Providence	www.wingsofprovidence.ca
5. Bent Arrow Traditional Healing Society	www.bentarrow.ca
6. Aboriginal Women's Professional Association (AWPA)	www.awpa.ca
7. Money Mentors	www.moneymentors.ca
8. Candora Society	www.candorasociety.com
9. Centre for Family Literacy	www.famlit.ca
10. DECSA	www.decsa.com
11. E4C	www.e4calberta.org
12. City of Edmonton	www.edmonton.ca
13. Vibrant Communities Edmonton	www.vibrantedmonton.ca
14. The Business Link	www.canadabusiness.ab.ca
15. United Way of Alberta Capital Region	www.myunitedway.ca
16. Landlord and Tenant Advisory Board	www.edmonton.ca
17. World Financial Group	www.worldfinancialgroup.com
18. CEASE: Centre to End All Sexual Exploitation	www.ceasenow.org
19. The Family Wealth Academy	www.kidzmakecents.com
20. Housing Support Services (HUB)	www.homewardtrust.ca/oipp-projects
21. Bissell Centre	www.bissellcentre.org
22. Institute for the Advancement of Aboriginal Women (IAAW)	www.iaawcanada.ca
23. Alberta Government Seniors and Community Supports	www.seniors.alberta.ca
24. Elizabeth Fry Society	www.elizabethfry.ab.ca
25. 4 Pillars Consulting	www.4pillars.ca
26. Alberta Capital Market Foundation	www.acmfoundation.org
27. Servus Credit Union	www.servus.ca
28. Edmonton Mennonite Center for Newcomers	www.emcn.ab.ca
29. Edmonton Social Planning Council	www.edmontonsocialplanning.ca
30. Reez Solutions	www.reezsolutions.com