



# ACORN Canada

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## ACORN's submission

ACORN Canada is a national community union of low- and moderate-income people with 24 chapters in 10 cities across the country. Many ACORN members are forced to rely on predatory lenders in times of financial crisis and to meet day to day expenses in the absence of fair credit options.

ACORN would like to take this opportunity to respond to the consultation on how the legislative and policy framework should adapt to help address the challenges Canadians face in accessing financial services.

At present, there are very few low-cost banking services available for people and those that do exist are extremely limited in their scope and reach.

- Low-cost accounts that cost a maximum of \$4 per month in banking fees are available at certain financial institutions. Some of these are available at no cost but the eligibility for such accounts is limited to a few groups such as youth, students, seniors getting GIS and registered disability savings plan beneficiaries.
  - Expand eligibility of these accounts to all low-income people.
- Moreover, even with these accounts, the features are extremely limited. For example, these accounts limit the number of transactions to 12. With everything going digital, it is virtually impossible to limit the number of transactions to 12 in a month. People use accounts to buy everything and even to pay their rent. Recognizing the need to provide banking access for all people in Canada and then providing a product that is so limited and for lack of a better word, crappy, is discriminatory!
  - Make transactions unlimited.
- Most low-cost or no-cost accounts are only available online. Simplii Financial of CIBC and Tangerine of Scotiabank offer no-cost accounts but most of the services available through these are digital, therefore curtailing their access to populations that do not have the internet or face barriers to access technology.
  - Basic banking services must be available online and in bank branches to all low-income people.
- Banking services shouldn't mean access to only basic accounts, it is the responsibility of banks to provide **fair credit**. A recent [ACORN survey](#) showed that the low-cost credit options available for low- and moderate-income consumers are extremely limited. As per the report:
  - When asked what you do first during a tough financial situation, only 7% of respondents go to the bank. Around 31% of them use a credit card closely followed by 29% who approach their family/friend. One in ten respondents said they either go to a payday or an installment lender.
  - A vast majority i.e. 87% of respondents said that they were not aware of any medium or low interest credit options (annual interest less than 30%) or other sources of emergency funds for people with a low or moderate income who can't access credit from the major banks (it excludes credit cards and lines of credit from mainstream banks/credit unions).



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- With respect to banking products such as line of credit, small loan, credit card, overdraft protection, removing holds on cheques, no fee accounts, and whether they received them, the number of people who received any of these banking products was found to be invariably lower than those who applied for it. The difference was especially pronounced in case of small loans, overdraft protection and credit card - all of which can be extremely helpful in case of a financial crisis.
- This lack of fair credit forces many low- and moderate-income people to talk out loans from predatory lenders. Sometimes people only need a short-term loan of less than \$500 for which they have to rely on payday lenders that charge anywhere between 400-600% annual interest.

With respect to barriers people face in accessing banking services/products, again, these are the key findings based on the survey ACORN did.

- It is important to mention that the findings are based on a survey that ACORN conducted to its members who are low- and moderate-income people. Nearly 40% of all respondents had income of \$40,000 or less; around a third of respondents reported their annual income range between \$15,000 - \$25,000. A vast majority (82.7%) of respondents identified themselves as renters. This shows that most people are disadvantaged and face systemic barriers to banking services/products and fair credit.
- There are various reasons as to why people don't use regular banking/financial services. Respondents were asked if they do not regularly use or have never applied for any of the bank services or products then why not. People could choose more than one option. One of the main reasons stated by the respondents was a previous rejection from the bank (46%).

## Other recommendations

1. The federal government must create a federally funded Fair Credit Benefit so that all low-income people have access to low-cost credit options in case of emergency or work with existing community development or non-profit entities to create a fair credit benefit. In Australia, Good Shepherd started a No Interest Loan for people which offers a good example of how a non-profit stepped in to bridge the gap. Details here: <https://goodshep.org.au/services/stepup-household-relief/>
2. The federal government should support postal banking. Canada Post's infrastructure can be leveraged to ensure that low-income people have access to low-cost loans in case of financial emergencies.
3. One of the key reasons why so many people have to rely on predatory lenders is that they are underbanked. As the study shows, many people applied but were denied banking products. Further, the NSF fee charged by the mainstream financial institutions is again a factor which pushes so many low-income people to go to predatory lenders. In Canada, the NSF fee charged by the big banks varies between \$45 and \$48. This is extremely high and pushes people further into debt.
  - ACORN repeats its call on the federal government to lower the NSF fee from \$48 to \$10. The government could also consider stacking where consumers are charged a maximum of \$20 in one month. This means, the first time there are insufficient funds, the bank charges \$10, the second time again \$10 and if it's more than two times, the bank charges no fee (fees capped at \$20 per month).



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4. Investigate enhanced federal regulation on credit scores, looking at it from an anti-discriminatory lens. People are penalised for being new to Canada and being poor (not irresponsible financially). It is this that pushes people into nonbank loans and products that are mostly predatory.
5. Further, in case of people who do have overdraft protection, banks charge a fixed overdraft fee or a fee each time the individual goes into overdraft. Following the lead in other countries, Canada's options are clear.
  - ACORN wants banks to provide low-cost overdraft protection to all customers.
  - ACORN calls on the federal government to eliminate overdraft fees. Several important fair banking initiatives in other jurisdictions are instructive for Canada. Canadian banks need to follow suit and ensure that low- and moderate-income people are being ripped off due to all these fees as has been done in so many countries.

Thank you for considering our submission.

Yours sincerely,

Marva Burnett  
President  
ACORN Canada

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For any questions/clarifications, please contact the ACORN Canada office.  
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