



Canada's Financial Consumer Protection Framework: Consultation Paper

On December 3, 2013, an Invitation to Comment on “Canada’s Financial Consumer Protection Framework: Consultation Paper” was released.

This consultation paper seeks views from all Canadians on elements that could strengthen Canada’s financial consumer protection framework and seeks input on key policy issues.

The federal government will provide a summary of views gained from this consultation process in summer 2014, and input from Canadians will be used in developing consumer protection policies.

The Board of Directors of the BC Association of Community Response Networks (BC CRN) at their regular meeting held on January 16, 2014 approved the preparation of a response, led by the Board Secretary, Margaret Easton with input from the Board Co-Chairs, Kathleen Cunningham and Jill Hightower and from the Executive Director.

Given the mandate of the BC CRN and nearly 20 years of experience in addressing the needs of BC’s vulnerable and aging population, it was felt that the following questions proposed in the consultation paper could benefit from input from the BC CRN:

1. What are the unique challenges faced by vulnerable populations in Canada?
2. How should the consumer code address these challenges?
3. What degree of responsibility should financial institutions have to vulnerable Canadian consumers?
4. What role does innovation play with respect to meeting the needs of vulnerable Canadians?
5. How can the financial consumer code ensure reasonable access to basic banking services for vulnerable Canadians?

Attached is the submission sent on February 13, 2014.



Canada's Financial Consumer Protection Framework:

Meeting the Needs of Seniors/Vulnerable Canadians

Submitted by: The BC Association of Community Response Networks

Prepared by: Margaret Easton, BA, BACC, MA (Lib Studies), MA (Gerontology)
Secretary, BC CRN Board of Directors

Contact: ed@bccrns.ca 604-513-9758
15008 – 26th Ave., Surrey, BC V4P 3H5

The BC Association of Community Response Networks is composed of diverse groups of concerned service providers, agencies and community members who come together to create a coordinated community response to the prevention of adult abuse, neglect, and self-neglect on behalf of all vulnerable adults in over 108 communities in British Columbia. As access to appropriate and safe financial services is critically important to the effort to reduce abuse and neglect of BC's vulnerable adults, the BC Association of Community Response Networks is deeply committed to supporting this initiative. We welcome the opportunity to contribute to identifying the elements required to strengthen Canada's financial consumer protection framework in relation to this important segment of Canada's population.

Given our mandate and nearly 20 years of experience in addressing the needs of this segment of BC's population, we feel our expertise allows us to contribute to the following questions proposed in the consultation paper:

1. What are the unique challenges faced by vulnerable populations in Canada?
2. How should the consumer code address these challenges?
3. What degree of responsibility should financial institutions have to vulnerable Canadian consumers?
4. What role does innovation play with respect to meeting the needs of vulnerable Canadians?
5. How can the financial consumer code ensure reasonable access to basic banking services for vulnerable Canadians?

Recommendations

1. What are the unique challenges faced by vulnerable populations in Canada?

Poverty, limited education, disability, and limited social capital – alone and in combination – are significant challenges that are disproportionately experienced by Canada’s vulnerable populations. Each creates specific issues in relation to accessing financial services. A **lack of education** results in limited knowledge of the full range of financial services available in Canada, **cognitive impairment** limits understanding of features, benefits, and drawbacks of various financial products, **physical impairment** limits accessibility, **reduced income** reduces purchasing ability, and **limited social capital** reduces access to alternative means of accessing financial services. Each significantly increases the potential for financial abuse to occur and diminishes access to financial autonomy.

2. How can or should the consumer code address these challenges?

The consumer code can effectively address these challenges by encouraging the use of inclusive design principles in the development of financial products and services, and if, or when necessary, by implementing legislation mandating the use of inclusive design principles. Age Concern England¹ has recently completed a study addressing financial inclusion and older adults and recommends five inclusive design principles that could effectively enhance inclusion of all vulnerable populations in Canada. These principles include:

1. Adaptability
 - Product development should consider the changing needs of customers over the lifetime of the product/relationship
2. Accessibility
 - Products and services should be available through channels which can be accessed by as many people as possible
3. Fairness
 - Treat all customers fairly irrespective of age, income, or ability
4. Useable Information
 - Information should be designed to be understood by customers with a range of abilities
5. Minimizing Hazards
 - Safety of the customer and their money must be built into the design of products, systems, and facilities

¹ J Wells (2008) *An Inclusive Approach to Financial Products, Annex 1*, London: Age Concern

Existing privacy legislation also presents potential challenges for a comprehensive Financial Consumer Protection Framework for financial institutions. While created to protect all Canadians from unwarranted intrusion of their privacy, the current legislation is preventing reporting of suspected financial abuse to appropriate agencies such as the police, Public Guardian and Trustee offices, and provincial designated agencies. A comprehensive consumer protection framework must address financial abuse by providing clear reporting protocols for suspected financial abuse that can be utilized by all financial institutions.

3. What degree of responsibility should financial institutions have to vulnerable Canadian consumers?

As suggested in the guidelines to Canada's Financial Consumer Protection Framework, financial institutions should be expected to accept a degree of responsibility to vulnerable consumers that reflects consistent "positive financial stewardship" based on the principles of inclusion and accommodation. Meeting this level of responsibility will require a commitment to self-regulation, the creation of best practice guidelines for the industry, and the development of professional competence for all employees:

1. Self-Regulation

- While legislation is a necessary component of any consumer protection framework, self-regulation by way of voluntary codes of conduct encouraging improved business practices is equally essential by all financial institutions

2. Commitment to the development of Good/Best Practice Guidelines²

- A voluntary commitment to use all available knowledge and technology to facilitate and encourage responsible product design, and implement policies and practices designed to eliminate unfair discrimination when responding to the financial needs of vulnerable populations
- Best practice guidelines will incorporate acknowledgement of ethical considerations, respect, human rights, and cultural diversity

3. Commit to professional development and competence guidelines

- Financial products and services are increasingly complex and sophisticated and as a result, tend to be difficult to understand
- Financial institutions should establish and administer minimum competency requirements for all employees dealing directly with consumers
- Increased use of competency standards and certification processes for salespeople

² Good Practices for Financial Consumer Protection. International Bank for Reconstruction and Development /The World Bank June 2012.

4. What role does innovation play with respect to meeting the needs of vulnerable Canadians?

In a 2011 survey, less than half (43 percent) of U.S. banks reported actively developing products and services for underserved/vulnerable customers.³ While a comparable study does not exist in Canada, the emphasis on the development of profitable wealth management products and services is evident throughout the financial services industry in Canada. This is clearly an important and legitimate part of the consumer base for Canada's financial services industry that meets the needs of many Canadians. However, there is increasing international recognition that the vulnerable (often less-profitable) populations continue to be seriously underserved by the financial services industry. The result is many citizens living without access to basic services or paying excessively high fees and interest charges to alternative providers, outcomes that exacerbate an already vulnerable position.⁴

Innovation and research are critical components of a consumer protection framework for financial services. The challenges of serving vulnerable populations profitably are significant but not insurmountable. Innovation and research can provide the solutions. Examples from international research, and initiatives already underway in Canada, suggest the following as potential solutions to the negative impact of poverty, limited education, disability, and limited social capital:

- Development of affordable accessible e-commerce products and services. These include e-commerce deposits and bill payments, government-to-citizen payments (underway in Canada's pension payments), enhanced use of prepaid cards including closed-loop (can only be used in specific locations), and open loop (any location), mobile banking, and enhanced web accessibility
- Affordable identity authentication methods
- Creation of banking services that safely accommodate the need to delegate authority regularly or from time to time – i.e. facilitate the safe use of Power of Attorney instruments and Representation Agreements (in B.C.)
- Create legislation that can support the creation and use of safe forms of joint bank accounts (such as Totten Trusts, Convenience accounts in use in U.S.)
- Continue to promote legislation such as the Accessibility Standards for Customer Service, Ontario Regulation 429/07AODA in all Canadian provinces and territories, with the added component to create products and services that accommodate disability
- Development of safe, and when possible, participatory banking services for individuals with cognitive impairment

³ Providing non-bank Financial Services for the Underserved. White Paper, January 27, 2014.

⁴ Effective January 31, 2014 the Supreme Court of BC upheld Consumer Protection BC's compliance orders against Cash Store Financial Inc. requiring the company to comply with the law and refund over \$1 million to consumers.

- Create innovative solutions to the geographical challenges many vulnerable Canadians face in securing access to basic banking services when living in disadvantaged areas. Review the impact of the withdrawal of existing services on vulnerable populations prior to withdrawal of services

It is interesting to note that a U.S. White Paper issued on January 27 of this year specifically addressing the provision of financial services for the underserved, is exploring the option of meeting the needs of vulnerable and underserved Americans through the U.S. postal system.

5. How can the financial consumer code ensure reasonable access to basic banking services for vulnerable Canadians?

To ensure that the financial consumer code provides reasonable access to basic banking services for vulnerable Canadians, a three-pronged approach – including self-regulation, legislation, and financial literacy - is necessary. While there is a role for voluntary codes of conduct to promote and facilitate financial inclusion for vulnerable Canadians, an international review of the effectiveness of voluntary codes alone indicates that the success rate varies considerably. As a result, there is a strong need for legislative action in combination with self-regulation and appropriate and ongoing assessment and evaluation of both strategies. In addition, financial literacy programs responsive to the specific needs of vulnerable populations are necessary to increase awareness, knowledge, and choice with respect to accessing basic banking services and products. Financial institutions have been very receptive to the development of financial literacy programs and their contributions in this area should continue to be acknowledged and supported.

A very important aspect of financial literacy that must be given careful consideration in the attempt to ensure reasonable access to basic banking services for vulnerable Canadians is internet literacy. In particular, recent research on internet literacy in the UK suggests that older adults have the lowest level of home access and the lowest rate of growth for internet use.⁵ These conditions may also be relevant in Canada. A number of factors contribute to this low growth rate including problems related to age related motor functioning, cognitive functioning, dexterity, and vision. These factors appear to combine to create physical and mental barriers that lead to a sense of exclusion, a dismissive attitude towards internet services and products, and a lack of trust in both the content available and the degree of privacy afforded by internet products and services. If we hope to increase access to basic banking products and services for vulnerable Canadians through increased use of the internet, further research is strongly recommended.

Conclusion

We appreciate this opportunity to contribute to the identification and creation of policies and practices to strengthen Canada's financial consumer protection framework for vulnerable

⁵ Denvir, C., Balmer, N., & Pleasence, P. (2012). Portal or pot hole? Exploring how older people use the "information superhighway" for advice relating to problems with a legal dimension.

Canadians. Our knowledge of vulnerable adults throughout the province of BC leads us to strongly recommend the use of design principles that focus on inclusion and accommodation to promote access to safe and affordable banking services for all vulnerable adults. Our experience has given us a strong appreciation for the value of innovation and best practice guidelines in the development of services for vulnerable adults. We understand that the challenges of serving vulnerable populations are significant but our experience has also taught us they are not insurmountable. Access to appropriate and safe financial services is critically important to the effort to reduce abuse and neglect of BC's vulnerable adults and we appreciate and support the development of a strong Financial Consumer Protection Framework acknowledging their unique needs.

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